

The Incorporated Accountants' Journal.

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and Auditors



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Professional Notes.

"PROTECTION FOR INVESTORS" is the title given to an article by Mr. Henry Morgan, F.S.A.A., in the *Times Trade Supplement* of March 15th. Mr. Morgan dwells on defects in Company Law, although he pays a tribute to the work of the Companies Committee in its long and difficult task, but we can hardly agree with him when he says that the business community throughout the country has recognised its indebtedness to

the members of the Committee for the valuable services they rendered. As a matter of fact, until some scandals in the autumn of last year were uppermost in men's minds hardly anyone troubled either about the Committee or the Companies Act of 1928 which was based on the Committee's recommendations. One notable writer in the Press was unaware at the time that a new Act had been passed!

It is all to the good when members of our profession of the standing and influence of Mr. Henry Morgan make a reasoned survey of a Statute which has such far-reaching consequences to the well-being of the country as that relating to Company Law. On the other hand we feel at liberty to state that a full trial ought to be given to the Companies Act of 1929, which not only consolidates the law as to companies, but includes in its provisions the Act of 1928, to which we have already referred.

On the subject of Balance-sheets and Accounts Mr. Morgan points out that the large majority of important public companies present their balance-sheets and accounts in a form to which no exception could be taken. At the same time he criticises the absence of any legal direction as to what the profit and loss account should disclose. He also says that the provisions of the Companies Act, 1929, relating to subsidiary companies do not go nearly far enough. These matters were carefully considered by the Companies Committee which made recommendations in regard to the form of accounts, which have resulted in clearer and fuller information being given to shareholders. Parliament at the time would not carry the matter further.

It should not be lost sight of that the Companies Act, 1929, has far-reaching consequences to auditors and directors. Sect. 152 makes void any provision, whether contained in the Articles of a company or in any contract with a company or otherwise, for exempting any director, manager or officer of the company, or any person employed by the company as auditor, from, or indemnifying him against, any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the company. Time will show that the liability under this section is not by any means negligible.

In the local Legislation Committee of the House of Commons, Clause 154 (Appointment of Audit-

ors) of the Cardiff Corporation Bill was considered on March 18th. Mr. Jeeves, K.C., for the Corporation, intimated that his clients considered that the two bodies of Chartered Accountants and Incorporated Accountants afforded an ample choice from which the Corporation should be allowed to select their auditors, and they were satisfied with those two bodies.

Mr. Wrottesley, K.C., for the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, addressing the Committee, pointed out that on the Chester Corporation Bill last year the Chairman, Sir Thomas Robinson, made a statement as follows: "I am desired to say that in the opinion of the Committee, sound and reliable accounting is of paramount importance to industry, commerce and the investing public, and with a view to establishing an efficient accounting public service we consider the time is opportune—in fact we think it has arrived—for establishing a register of properly qualified persons on the lines of the law and medical service, and we suggest to the accounting world that they should seriously consider the matter of a register, the training and the qualifications, as the Committee feel that all qualified persons should have the opportunity of giving public service."

Having regard to that statement Mr. Wrottesley said the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors approached the Board of Trade, and the Board of Trade had actually set up a Departmental Committee to inquire into the very matter which the Local Legislation Committee said was to be raised. The first meeting of that Committee was to be held on March 27th, and they would hear all parties interested in the question of Registration of public practising accountants. Under these circumstances he (Mr. Wrottesley) did not think it right or proper to take part in any contest there to canvass the suitability of the London Association of Accountants or any other of the different bodies who desired to be included in the Bill. Mr. Wrottesley then retired, and the case for the London Association of Accountants was opened in the absence of counsel for the Institute and Society.

Mr. Craig Henderson, K.C., who appeared for the London Association of Accountants, asked that his clients should be recognised in the Bill, and as the personnel of the Committee was not the same as last year he proceeded to address them, as he

said, to place the historical aspect before the Committee. The Committee reserved their decision, but ultimately announced their intention of inserting the name of the London Association of Accountants (Limited) in the Bill.

Something of the mental attitude in which the matter was approached by one member of the Committee can be gauged from the following question put to Mr. Jeeves:—"Take the position away from that of accountants. We will take tram-drivers, or dockers. There is a Union man and a non-Union man, and you pass a resolution that you will not employ a non-Union man. He has a justifiable grievance, has not he?"

The case of *Jones v. Leeming* which we referred to in our article on "Casual Profits" in August last, has now come before the House of Lords. The facts of the case were set out in the article referred to, but, briefly stated, the point at issue was whether the profits of a single transaction could be brought within the provisions of Case VI of Schedule D, and thus made liable to income tax assessment? Case VI relates to tax in respect of any annual profits or gains not falling under any of the other cases and not charged by virtue of any other schedule. It was necessary for the Inland Revenue to show (1) that the transaction was an adventure in the nature of trade, and (2) that the profits which they sought to tax were annual profits. The contention of the Crown was that the word "annual" must be either disregarded or so limited as to enable a solitary isolated transaction to be brought within the phrase.

Lord Buckmaster, in delivering judgment, said he was not prepared to disregard a word designed to qualify the burden of taxation, and he could not see how any interpretation of its meaning could cover the case under review, which related to the purchase and sale of an option on a rubber estate. He could see no difference between such a transaction and what might have happened had the respondent bought shares in two companies which were going to be amalgamated, and sold the equivalent shares in the amalgamated company at a profit. He accordingly came to the conclusion that the appeal of the Crown must be dismissed.

In concurring in this judgment, Lord Dunedin said the case was a striking example of the class of appeal which on a recent occasion he felt bound to deprecate. There was no new question

of law involved in it, but merely the application of old principles to the particular facts. There had been a unanimous judgment against the Crown by the Judge of first instance and by the three Judges in the Court of Appeal, and the sum at stake was only £130. Case VI necessarily referred to the words of Schedule D of the Act, so that it must be a case of annual profits and gains, and those words again were ruled by the first section of the Act.

A rather striking comment was made by Lord Clyde in delivering judgment in the case of *Ayrshire Pullman Motor Services v. The Commissioners of Inland Revenue*, viz: "No man in this country is under the slightest obligation, moral or other, so to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his store." His Lordship evidently realises that the Inland Revenue do not hesitate to take advantage of any provision of the Income Tax Acts which happens to be in their favour, and therefore he considers that the taxpayer is not to be blamed for taking such steps as he legitimately can to avoid bringing himself within the operation of those Acts.

The question of determining what governs the liability to Super Tax on residuary income has been receiving considerable attention recently. We referred in our notes of January last to the decision of Mr. Justice Rowlatt in the case of the *Commissioners of Inland Revenue v. Vice-Admiral Sir Aubrey Smith*, where he decided that, as the assent of the executors to the residuary bequest had not been given and had not been unreasonably withheld, there was no liability to Super Tax on that bequest. The Court of Appeal have now taken a different view, and have referred the case back to the Special Commissioners to determine whether the facts showed that at the material date the residue was ascertained, together with a direction that it did not necessarily follow from the decision in the case of *Daw v. Commissioners of Inland Revenue* that because there was an outstanding debt or mortgage the residue was not ascertained.

The annual report of the National Insurance Audit Department for 1929 discloses some serious irregularities in the management of Approved Societies and branches. In numerous cases blank cheques were found by the auditor to have been signed by one or more of the signatories who were authorised to operate jointly on the

banking account, the effect usually being to leave the banked moneys under the control of a single officer. In some cases the cheques were signed in blank by one out of two required signatories, while in others they bore the signatures of three out of four, and in one case several cheques were signed in blank by all the persons entitled to operate on the account, thus showing that the signatories either did not realise or deliberately neglected their duties and responsibilities. It is hardly surprising in these circumstances to find that in some cases the official who was thus left in full control of the funds took advantage of the position in which he was placed.

Recent experiences in the flotation of companies have brought into question the effectiveness of sect. 39 of the new Companies Act in relation to underwriting contracts. The section provides that the minimum subscription must include the working capital, the purchase price and the preliminary expenses, and adds that for this purpose the necessary sum shall be deemed to have been paid to and received by the company if a cheque for that amount has been received in good faith and the directors have no reason for suspecting that it will not be paid. Experience has proved that in many cases underwriting cheques have not been paid, and the suggestion of the *Financial Times* is that the Act should be so amended as to compel the clearance of the cheques before going to allotment. One effect of this would be to relieve the directors of the company from an unpleasant burden in having to decide whether they have reason for suspecting that any particular cheque will not be paid.

The Attorney-General, at the instance of the Corporation of Tynemouth, has challenged the action of the Board of Guardians of that town in passing a resolution to cancel the liability for advances made to miners on loan by way of out-relief amounting to about £145,000. The case for the Guardians was that they had a discretion to cancel the loans, and that they were actuated solely by their personal knowledge of the conditions and the distress of the miners. The debt was likely to hang like a millstone round the necks of the miners for ten years or more, which could not be said to be a reasonable period. In giving judgment, Mr. Justice Eve said the Board of Guardians did not appear to have appreciated that they were acting in a fiduciary capacity towards the ratepayers and could not make a present to the borrowers of the ratepayers' money. If they had a discretion he considered

it was not exercised reasonably. He accordingly granted a declaration that the resolution was *ultra vires* and an injunction restraining the Board from acting upon it.

The Attorney-General of Australia has announced that in order to supplement the reduced revenue occasioned by the reduction of imports, the Federal Government has decided to impose a Super Tax of from 10 to 20 per cent. on the incomes of private persons and of 20 per cent. on the incomes of companies.

A point of some importance in relation to a claim for directors' fees in the winding-up of a company was decided the other day by Mr. Justice Maugham in relation to the affairs of *Coliseum (Barrow) Limited*. The liquidator of the company had rejected part of the claim of a director for fees on the ground that it was statute barred. The director claimed that a sufficient acknowledgment to avoid the statute was contained in the company's balance-sheets, which had been signed from year to year on behalf of the board by two directors. His Lordship refused to admit this contention. He said that the signature of the balance-sheets by the two directors who were authorised by the board to do so could not be held to be a promise by the company or its agents to pay the sum in question to a director. From the position which a director, as agent of the company, necessarily occupied, the board were not competent to authorise a definite promise to pay themselves. They were all interested and therefore incapable of passing a resolution to bind the company.

The House of Lords has reversed the decision of the Court of Appeal in the case of *Hole v. Garnsey*. The appellant was a dairy farmer and a member of Wilts and Somerset Farmers, Limited—an association registered under the Industrial and Provident Societies Act, 1893. The association had altered its rules after the appellant became a member, the effect of the alteration being (1) to write down the shares which the appellant held (and had paid up in full) to one-third of their original value, and (2) to require him to take up and pay for a number of further shares dependent upon the acreage of his holding or the number of dairy cows that he owned from time to time, whichever figure might be more favourable to the association.

The liquidator of the association relied upon the decision in the case of *Biddulph District*

Agricultural Society, Limited, v. Agricultural Wholesale Society, Limited, where circumstances of a somewhat similar character arose, but that case was distinguished by Lord Dunedin, in delivering judgment, by the fact that there the rule was an original one and not a rule afterwards substituted. In the present case it seemed to him to alter the whole position when it came to a question of admitting a rule of that kind for the first time by virtue only of a general power of amendment. He therefore came to the conclusion that a substituted rule of this character was too vague to be enforced and was bad at common law. Lord Sumner, in concurring, said the argument for the liquidator was virtually a claim that the association, by the exercise of its power to make regulations and to alter or rescind them, could compel members to invest capital in its business against their will and, so far as he could see, without any limit at all. Lord Buckmaster delivered a dissenting judgment, as, in his view, the altered rule was valid and binding.

Fire Insurance Recoveries and Income Tax.

A POINT of some importance in income tax law was decided by the House of Lords in *Gliksten v. Green* (1929, 45 T.L.R., 274) in the early part of 1929. The case was referred to briefly in our Professional Notes at the time, but the circumstances were such as to merit fuller notice. The short facts were as follows: The appellant company carried on business as timber merchants at Stratford. In August, 1921, a large quantity of timber which was stored in the company's timber yard was destroyed by fire. In the company's accounts the timber was valued at cost or market value, whichever was the lower, and for this purpose large sums were, in the accounts of the last two years before the fire, written off the cost price in respect of depreciation in order to arrive at the closing stock values. The reduced sums so arrived at were adopted each year in order to ascertain the company's profits for income tax purposes. The company kept its stock-in-trade insured against loss or damage by fire, and for the purposes of fire insurance the stock-in-trade was valued at replacement value. At the date of the fire the value of the stock destroyed was very high owing to a boom, and the insurance companies paid £477,888 in respect of the replacement value. The sum of £160,824 was the estimated value of the timber destroyed. This sum was brought into the

company's accounts as a trading receipt, and the balance of the £477,838 was carried into the balance-sheet as a reserve, and was not brought into the profit and loss account. The assessment appealed against was made upon the footing that in the computation of the balance of the profit of the company's trade, the whole of the £477,838 should be included as income from trade for the fiscal year 1921-22.

Lord Buckmaster said the appellants sought to fortify their argument by a consideration of the Rules that apply to Cases I and II of Schedule D of the Income Tax Act, 1918. They pointed out that under that schedule the tax was to apply to a trade, and was to be computed on the amount of the profits and gains of the trade, and they said that whatever was received in relation to this fire was not a profit or gain of the trade, but was something received from the insurance, that the real business carried on was not that of insuring the timber, but its purchase and sale. Further, they said that by Rule 3 (k) there is an express provision that there shall not be deductible from the profits and gains any sum recoverable under an insurance or contract of indemnity, and suggested that by implication that meant that there is a prohibition against bringing in on the other side the moneys that were received under such a contract. His Lordship was unable to take that view. All that (k) did was to prevent the appellants from bringing in a loss which they had incurred that was covered by insurance, when, in fact, the amount of that loss was capable of being recovered by the policy moneys that they might receive. It went no further than that, and, so far as it did extend, it was destructive of that part of the argument of the appellants which consisted in saying that if they were bound to bring in the moneys they received from the insurance company on the one hand, they could bring in the equivalent amount of losses on the other. Clause (k), which was not in language specially ambiguous, expressly provided that they should not do anything of the kind.

Ought the total amount of the insurance moneys to be regarded as part of the profits and gains of the trade? His Lordship thought they ought. What had happened had been this: that the timber which the appellants held had been converted into cash through the operation of the fire, which was no part of their trade, but which was covered by the usual trade insurances, and the timber had been realised. It was now represented by money, whereas formerly it was represented by wood. If this resulted in a gain, as it had done, it was a gain which had taken place in the course of their trade none the less because it was no part

of a timber merchant's business to trade in fires. The book value of the timber in the company's books had nothing at all to do with the amount of the loss, or with the amount which had been recovered in respect of the loss. The amount recovered was a gain of the company in the course of its business no less than the sale price of the timber would have been if the timber had been sold in the course of ordinary sales during the continuance of the company's business; and in estimating the balance of the profits or gains which the company had to bring into account for the purpose of income tax, the amount of the excess of the sum recovered over the book value of the timber in the company's books had to be brought into account just as fully and completely as if there had been a sale in the ordinary course of business at that price.

In his judgment Lord Warrington said that it was some comfort to think that the decision then given was in accordance with the commercial practice, because he noticed that the accountant who alone gave evidence on the point, said that in his experience, extending over twenty years, the normal commercial method of dealing with moneys recovered by a trader under a policy of insurance in respect of stock destroyed by fire was to include the actual amount received in the accounts as an ordinary trading receipt, in the same way as the proceeds of an ordinary sale of stock.

Contracts Constituted by Connecting Documents.

Theoretically and ideally, every commercial contract and every contract of an important nature should be and is reduced to writing, whether or not statute law requires the formality of writing in any particular case. The object sought to be attained is, of course, the provision of evidence in as clear and indisputable terms as possible, showing, first, that a binding contract has in fact been made, and, secondly, the kind of contract made and the nature of its terms. In practice, however, it is quite common to find that commercial men constantly risk large sums in ventures evidenced only by an oral exchange of terms, promises, warranties and conditions.

Even when prudent caution prompts business men to draw up their contracts in a written document they are frequently content to employ phraseology which is sadly lacking in precision or of an antique model in which a mass of ill-understood verbiage conceals the essence of the contractual obligation entered into. Charter parties and insurance contracts are notorious instances of this ingrained habit prevalent amongst men of business. Indulgence in this practice gives rise, over and over again, to

problems of legal interpretation, which are easily avoidable. An illuminating illustration of this was afforded recently in the costly and protracted proceedings in *Phoenix Insurance Company v. De Monchy* (1929). Not so readily avoidable are those difficulties which almost inevitably arise out of the necessities of commercial life which flow from the existence of a contract the terms of which are to be pieced together from more than one document, e.g., a file of letters. The law imposes limits, however, upon the right or privilege of so scattering the component parts of a contract the existence or nature of which it is sought to establish in the Courts.

A most important rule of evidence which must always be borne in mind is the distinction which is observed between identification and incorporation; that is to say, that whilst external evidence may be tendered to identify one document referred to in another document, such evidence may not be tendered to secure incorporation of the one document with the other so as to make of the combined documents one complete contract. In other words, two or more documents cannot be combined to make a contract unless internal evidence drawn from those documents makes the connection between the two and their interdependence clear beyond all doubt.

This distinction and its significance was well brought out in *Boydell v. Drummond* (1809). In that case a firm of publishers issued a prospectus containing particulars of a proposed series of Shakespeare engravings which would be completed over a number of years. The prospectus was exhibited on their premises, where there was also placed on a desk a book marked "Shakespeare subscribers," in which subscribers to the series were invited to sign their names. The defendant did so sign, but declined to complete the purchase. In an action brought by the plaintiffs it was held that there was no memorandum in writing to satisfy the Statute of Frauds, and that they were therefore precluded from suing. The defendant's signature in the subscribers' book might well have been sufficient if there had been anything in that book to connect it up with the prospectus. Observance of the rule clearly prevents confusion or commission of fraud in this type of alleged contract.

In *Long v. Millar* (1879), on the other hand, a receipt given by the defendant in respect of a deposit on a purchase of "the three plots of freehold land in Rickford Street, Hammersmith (40 feet frontage)" paid by the plaintiff, which was expressed to be a receipt for money paid "as a deposit on the purchase of three plots of land at Hammersmith," was held to be sufficient to connect it up with the document in which the plaintiff had agreed to the purchase, so as together with it to constitute the memorandum necessary to comply with the Statute of Frauds; the receipt and the agreement letter bore the same date, and looking at the contents of the two documents the Court held that their interdependence was established beyond reasonable doubt. It might have been difficult to establish such a connection had the receipt borne a different date or made no reference to the subject-matter covered by the payment.

The working of the general rule is, in fact, no more than another facet of the well known principle which prohibits the alteration of the terms of a written contract by the importation of additional oral matter (except in so far as that may be necessary to explain latent ambiguities), as was pointed out by Mr. Justice Archibald in *Peirce v. Corf* (1874).

Where terms which are not usually found or expected to be contained in a particular type of contract are sought to be incorporated from another type of contract the Court will lean against their admissibility. Thus, in *Thomas v. Portsea Steamship Company, Limited* (1912), a bill of lading contained a term in its margin, inserted in ink, that the conditions of the charter party were to be taken to be incorporated in the bill of lading. Amongst the conditions contained in the charter party in question was one imposing arbitration for the settlement of disputes and differences. Despite this attempt to compel the consignor or consignee to resort to arbitration, the Court held that the parties to the bill were not bound to go to arbitration. Such general words were insufficient, in the view of Lord Atkinson, to introduce a clause not germane to the document (the bill). An arbitration clause, not usually contained in a bill of lading, could only be appropriately introduced by an express stipulation to that effect. This case, then, it will be seen, further limits the privilege of scattering the terms of a contract over more than one document.

Finally, *Stokes v. Whicher* (1920) may usefully be referred to. There the plaintiff signed a type-written letter in which he agreed to purchase premises belonging to the defendant. The latter's agent signed a carbon copy of that letter, on which he had inserted words acknowledging receipt of the plaintiff's deposit, which he had paid by a cheque of the same date as that borne by the letter. In an action by the plaintiff for specific performance it was contended for the defendant that there was no sufficient note or memorandum to satisfy the Statute of Frauds. All that was in evidence from the carbon copy was that some person had written: "I agree to purchase." How was "I" to be connected up with the plaintiff? There were three ways, said the Court, in which that could be done, viz, (1) by connecting the cheque with the carbon copy and so incorporating the former into the latter; or (2) by connecting the original letter with the carbon copy; oral evidence of the existence of the original could be admitted—but only to prove its existence; the Court would still have to satisfy itself by a comparison of the two documents produced, from their internal contents, that the one was in fact the original of which the other was a carbon copy; or (3) by identifying, by oral evidence, the "I" referred to in the carbon copy, which would have been sufficient had it contained the purchaser's name. The cheque proved who had paid the deposit, receipt of which was acknowledged in the carbon copy itself; all that was necessary, therefore, to connect the whole matter up was to identify the drawer of that cheque with the plaintiff. The Court, however, did not decide the question whether two

documents could be connected together to constitute the necessary memorandum merely by placing them side by side so as to show from their physical state that they must have been produced at the same time and so constituting in reality one document. But in similar circumstances in the case of *Sheers v. Thimbleby* (1897), Lord Justice A. L. Smith said that it would be "sheer affectation" to pretend that the two documents were not connected with each other. Nevertheless, it must not be forgotten that judicial "affectation" is sometimes essential to the preservation of legal principles pure and undefiled.

The problem of linking up two documents is perhaps of most frequent practical importance in the case of a letter which bears no indication of the party to whom it was addressed except such as may be inferred from the envelope. It may be inferred from the existence of the letter, said the Court in *Pearce v. Gardner* (1897), that an envelope containing it exists where the letter has been sent through the post; hence the letter and the envelope can be construed as one missive, although the two documents are physically separate.

UNEMPLOYMENT INSURANCE ACT, 1930.

[CONTRIBUTED.]

THE new Unemployment Insurance Act alters in many respects the provisions of previous Acts, particularly concerning conditions to be fulfilled for the receipt of benefit, increases of benefits to certain classes, and procedure generally in examination of claims. Most of the old statutory conditions remain, and it may assist a proper explanation of the alterations to recall these. The first condition is, that not less than 30 contributions have been paid in the previous two years to date of claim. The second that the person is unemployed and registers as such; the third that he is capable of and available for work. The fourth was—that he is genuinely seeking work, but unable to obtain suitable employment. The latter is repealed and a new section entirely (sect. 4) substituted. The disqualifications—subject to suspension of benefit for six weeks or less—also remain. These are through voluntarily leaving work, or losing employment through misconduct, and benefit can also be disallowed if unemployment is caused through a trade dispute. The two years limit of the first condition can be extended by proved sickness periods, and the new Act provides that periods spent in "excepted" employments can likewise be added to the two years, but the total period must not exceed four years. This, of course, is intended to give encouragement to the taking of employment in domestic and agricultural occupations and other non-insurable employment.

The new condition substituted for the fourth, defines exactly the procedure to be followed in judging a case which appears doubtful. If it is proved by an officer of the Ministry of Labour that

the claimant without good cause has refused or failed to apply for, or refused to accept when offered to him a situation in any employment which is suitable in his case, which has been notified to him by an employment exchange, or other recognised agency, or by or on behalf of an employer as vacant or about to become vacant, then he shall be disqualified for receiving benefit for a period of six weeks, or for such shorter period and from such date as may be determined by a Court of Referees or the Umpire as the case may be. The same disqualification will follow if it is proved that a person has refused without good cause, or failed to carry out any written directions given to him by an exchange officer, with a view to assisting him to find suitable employment. With regard to these directions, they must be reasonable having regard both to the circumstances of the claimant and to the means of obtaining employment usually adopted in the district in which the person resides. The old provisions remain as to "suitable" employment, which, broadly speaking, means a person's usual occupation, but after a lapse of time, as in the circumstances of each individual case seems reasonable, employment shall not be deemed unsuitable by reason only that it is employment other than in the usual occupation of the claimant. It is also provided that "suitable" employment is not a situation vacant through a trade dispute, or, as regards the person's own district, at less than the recognised rate of wages ordinarily paid in his usual occupation. For a vacancy in another district or as regards the alternative occupation mentioned above, it shall not be considered suitable at lower wages or conditions less favourable than those generally observed in that district.

The fourth condition was always a most difficult one to interpret, and in the main was left to the powers of appraisal as to the claimant's "attitude of mind to work," by, firstly, the officers of the exchange, and afterwards the members of the Courts of Referees. The onus was upon the claimant to prove that he was making efforts to obtain work. Interviews took place at stated intervals for every case, and the Court decided if the officer was in doubt. Frequently the claimant was not aware of what he was expected to do, and there is no doubt that in many instances the glib and plausible who were well primed in the method of stating their case succeeded, whereas many honest workmen, being inarticulate when they should have been advancing evidence of their efforts to obtain employment, were refused benefit. In practice the new provisions may operate more successfully in weeding out the work-shy and result in a better appraising of each individual case, as more concrete evidence will exist.

If a claimant cannot prove the 30 contributions in accordance with the two years' rule, benefit may be granted under the transitional provisions, if he proves eight in two years, or thirty at any time. In addition, he must prove that he is normally in insurable employment, and usually seeks his livelihood by such employment. Under the old Acts there was

a further condition—proof that employment in the previous two years was reasonable in the circumstances of the case. This is now repealed. The new Act also makes it clear that the condition being once proved remains for the benefit year, and it is not now necessary to repeat the proof each quarter. This provision applies only to persons of 18 and over.

The procedure in the examination of claims is altered in an important manner. On a new claim being made for benefit, particulars of former employment, &c., are given by the claimant, which are sent on to the headquarters of the department, and if no doubt exists the claim is automatically accepted on the local insurance officer's authority, subject to proof of the 30 contributions in two years. Under the old Acts, if a doubt existed, all documents were sent to the chief insurance officer, who could disallow subject to an appeal by the claimant to the Court of Referees. This Court could only "recommend," and the chief insurance officer had still power to disallow. It was provided, however, that the officer on request of the Court was to refer such a case to the Umpire for a decision, which was final. Appeal to the Umpire was allowed to the claimant also on permission being given by the Court of Referees, and a trade union had a right of appeal on behalf of a claimant. During this time no benefit was payable, although if decision was ultimately favourable, and the claimant had continued signing the unemployment register, back benefit was paid. Thus it will be seen that a proved genuine case could be without benefit for a lengthy period. It is now provided that a doubtful claim shall immediately be sent to the Court of Referees for the district. The insurance officer cannot himself disallow in the first place, unless the claim comes under the trade disputes disqualification rule. Thus a doubtful claim must be examined by the Court in any case, and such determination is a "decision" and not a "recommendation," as formerly. The insurance officer, however, has still a right of appeal to the Umpire if made within six months. Trade unions can still appeal, and also the claimant if the Court gives permission, but in addition if decision is not unanimous the claimant has a right of appeal to the Umpire, and the claimant must be advised in writing within three days of decision being given.

On a new claim benefit must be paid immediately the decision of the Court is given and from such date as the Court decides. Should a doubt arise (concerning fulfilment of the new section) while benefit is being paid, benefit is not to be suspended until and unless the Court of Referees decides that the objection to such claim has been sustained. This provision applies equally to any doubt as to the additional condition of "normally in insurable employment" under the transitional provisions section. Benefit thus paid is considered duly paid and cannot be recovered.

Benefits for young persons of 17, 18 and 19 are slightly increased, and an adult dependant's allowance is increased from 7s. to 9s. The Act also brings in additional classes for receipt of allowance to dependants.

If a claimant has previously paid a person to care for his dependent children—non-resident—he is allowed dependant's benefit in respect of such person. An allowance may be granted in respect of an incapacitated father or stepfather, residing with and wholly or mainly maintained by the claimant, if no other adult allowance is being paid. The children's allowance is now payable in respect of invalid children until the age of 16, if unable to attend school or work. Younger brothers and sisters—half and step brothers and sisters included—will qualify for children's allowances if wholly or mainly maintained by the claimant. All other classes remain as in the old Acts.

Power is taken to make regulations lowering the age of insurance to the school leaving age, when the Bill raising the age to 15 becomes law.

The Act also provides for the crediting of contributions (not exceeding twenty) to children between the ages of 15 and 16 attending school, or continuation classes, or taking courses of instruction. These credited contributions must not be taken into consideration for the payment of benefit to persons when they attain the age of 18.

It should be noted that in the case of persons under 18, no benefit can be paid until the 30 contributions in two years condition is fulfilled. Therefore it will be seen that no benefit can be paid to persons under 18 until entry has been made into employment and the person has been employed in insurable employment for at least ten weeks.

There are several rather important, although perhaps minor amendments. More provision is to be made for courses of instruction for persons under 18; in certain cases payment of benefit will be made conditional on attendance. For persons over 18, attendance cannot be made obligatory unless the case has been referred to a Board of Assessors for report and recommendation.

Power is taken to make grants and advances to persons for travelling expenses who travel for the purpose of obtaining employment, whether a situation has been found for them or not.

Arrangements are to be made with those employers who wish to keep workmen in insurance while employed on contracts abroad, so that on return to this country the workmen will be no worse off from an insurance standpoint. Ordinarily, persons working abroad, even though only temporarily, are not insurable. Under the old Acts, a trade union administering State benefit was required (to retain administration in respect of any insured person) to add a certain sum from its own unemployment benefit fund every time State benefit was paid. It is now provided that this need not be done when the stipulated number of weeks of their own scheme is exhausted. Thereafter only State benefit need be paid, the administration still remaining in the union's hands.

The Act commenced on March 13th, 1930, but unless otherwise provided in the meantime, will terminate on June 30th, 1933, when the old Acts will again come into operation. The transitional

provisions are extended only until April 18th, 1931, but for some claimants whose benefit year starts late in the period, benefit may be payable until April, 1932.

The weekly rates of benefit as from March 13th, 1930, are as follows:—

Persons of the age of 21 and upwards:

Men ... 17s. 0d. Women ... 15s. 0d.

Young Persons:

Age 16, Boys ... 6s. 0d. Girls ... 5s. 0d.

Age 17, Boys ... 9s. 0d. Girls ... 7s. 6d.

Age 18 to 20, Young Men, 14s. Young Women, 12s.

Adult Dependants, 9s. weekly.

Children under 14, if invalid or if at school until 16, 2s.

When the age of entry into insurance is lowered, boys and girls of 15 will receive the same rates as those at 16 as above.

Contributions of both employer and employee remain the same as in force under previous Acts (*i.e.*, from July 2nd, 1928).

ACCOUNTANTS' CLAIM FOR CHARGES.

Before Mr. Justice Macnaghton in the King's Bench Division on March 17th, Messrs. Harber, Sturges and Fraser, Chartered Accountants, of Guildhall Chambers, Basinghall Street, London, E.C., brought an action against Mrs. Louisa Emma Webb, widow and executrix of Mr. Henry Webb, of Broadway House, Merriott, Crewkerne, Somerset, to recover £152 10s., alleged to be due for professional services upon the books and accounts of the late Mr. Webb, at his request, in 1924-5-6, and in connection with income tax assessments for the four years down to April, 1928.

Plaintiffs' case was that in connection with the accounts it was necessary to send a clerk into Somerset, where he had to remain for days at a time.

The defendant contended that the plaintiffs had already been paid for the work. She also contended that the plaintiffs' charges were excessive, but paid into Court a sum of £75 which, she said, would fully satisfy any claim the plaintiffs might have.

Mr. H. U. Willinek appeared for the plaintiffs, and the defendant was represented by Mr. R. Storey Deans and Mr. J. Hodgetts.

Mr. Henry Fraser, a principal of the plaintiff firm, said he personally put in 63 hours upon the work charged for. The charges were correctly made.

Mr. Tuddenham, who had been employed as a clerk in the service of the plaintiffs, gave evidence as to going through the books at the farm.

Mrs. Webb, widow of Mr. Henry Webb, said that they were introduced to Mr. Tuddenham in November, 1923. Previously she had kept such books as they had relating to the farm, and she also wrote out the cheques. She explained how her husband was annoyed at the amount he was called upon to pay in connection with the keeping of the accounts by the plaintiffs, and at her husband's request she wrote out a cheque for £84 in favour of the plaintiffs, and another cheque for £60 in favour of Mr. Tuddenham, which she handed to Mr. Tuddenham who was present at the interview. Her husband understood that when he had paid the money he would have very little to pay for taxes, but her husband was frightened at the amount he was asked for. On another occasion she drew a cheque for £25 in her own name in favour

of Mr. Tuddenham, because her husband was cross about the amount of money Mr. Tuddenham was asking for, and she did it to make things pleasanter. Her husband also gave Mr. Tuddenham some cash, but she did not know how much.

Mr. Ernest Osborne, a butcher at Merriott, said that the plaintiffs did his accounts, and when the work was finished he paid Mr. Tuddenham, who did the work. At the latter's request he made out two cheques in settlement—one for £25 in favour of the plaintiff firm, and one for £15 in favour of Mr. Tuddenham.

Mr. Herbert Gibbs, of Crewkerne, gave evidence of his accounts being attended to by the plaintiff firm, and that Mr. Tuddenham came to his place for that purpose.

His Lordship, giving judgment for plaintiffs for £43 2s., said he was satisfied that the sums of £60, £25, and eight guineas were paid to Mr. Tuddenham, who had been a clerk in plaintiffs' service, by the late Mr. Webb in settlement of his account with plaintiffs. Regarding the cheque for £60, this cheque was drawn in favour of Mr. Tuddenham personally. Mr. Tuddenham had said that this amount had nothing to do with the accountancy work, and that it was a present to himself. That story did not seem probable. He (the Judge) had not been satisfied with the evidence of Mr. Tuddenham. There was no doubt that the £60 was paid to Mr. Tuddenham on behalf of his employers for work to be done, and that another cheque for £84 made out in plaintiffs' favour was for accountancy work already done. In regard to the payment of £25, he was satisfied that this was paid to Mr. Tuddenham by Mrs. Webb because he was demanding a payment for accountancy work which Mr. Webb had thought to be excessive. Mrs. Webb had done this in order to make peace. The Judge said that the £60 and £25 should have been accounted for by Mr. Tuddenham to his own firm. The consequence was that while the plaintiffs' claim would be allowed for £136 10s., against that sum the defendant should have credit for £93 8s.

The Judge said that there had not been any complaint either as to the skill or competence of the plaintiffs, or in regard to the manner in which the amount had been made up by charging so much for time, nor was any serious complaint made of the time spent on Mr. Webb's affairs. Complaint, however, was made that the time charged for Tuddenham was in excess of what it should be. Mr. Tuddenham had rendered time slips to his firm setting out the time which he had spent on the accountancy work at the farm, but as he (the Judge) was unable to accept the testimony of Tuddenham as given in Court, his confidence in the accuracy of his time was naturally shaken. Evidence had been given which satisfied him that Mr. Tuddenham had entered up time slips for more time than he actually spent on the work. It was satisfactory to find that the testimony of Mr. Tuddenham regarding the practice of the firm to allow him to collect accounts had been confirmed by Mr. Fraser.

Mr. W. T. Morris, F.S.A.A., of Messrs. Priestley and Morris, 16, Barrack Street, Sydney, Australia, has been elected Hon. Secretary of the New South Wales Committee of the Society of Incorporated Accountants and Auditors. This appointment is made following the death of Mr. Alexander Allan Rattray, who was Honorary Secretary for many years. Mr. James Simpson, of New Zealand Insurance Building, Pitt Street, Sydney, has been good enough to carry out the duties *ad interim*.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our January issue :—

ASSOCIATES TO FELLOWS.

- BOYD, DAVID TILFOURD, B.(Com.)Sc. (Oughton, Boyd and Co.), 6, Arthur Street, Belfast, Practising Accountant.
- BRYANT, ARTHUR CECIL, 63, Broad Street, Bristol, Practising Accountant.
- CLARKE-LENS, BERNARD LESLIE (Clarke-Lens & Clarke-Lens), 76, Newgate Street, London, E.C.1, Practising Accountant.
- CLARKE-LENS, NORMAN MOON (Clarke-Lens & Clarke-Lens), 76, Newgate Street, London, E.C.1, Practising Accountant.
- COOKE, GEORGE EDGAR, Williams Deacon's Bank Chambers, 287, Broad Street, Pendleton, near Manchester, Practising Accountant.
- DAVIS, HERBERT EDWARD, M.C. (Davis, Kellie & Co.), 115, Moorgate, London, E.C.2, Practising Accountant.
- FLEMINGTON, WILLIAM LEONARD, 326, Coldharbour Lane, Brixton, London, S.W.9, Practising Accountant.
- JENKINS, WILLIAM ROWLAND LIONEL (Hinton, Jenkins and Co.), 71, Bridge Street, Newport, Mon., Practising Accountant.
- LEWIS, LESLIE (Ransom, Harrison & Lewis), 9, 10 and 11, Fosters Buildings, 22, High Street, Sheffield, Practising Accountant.
- POLLARD, CHARLES HERBERT, City Treasurer, Guildhall, Kingston-upon-Hull.
- RHODES, WILLIAM HERBERT (Newby, Dove & Rhodes), Prudential Buildings, 10, Grey Friars, Leicester, Practising Accountant.
- ROBERTS, WILLIAM STEPHEN HILL, Temple Chambers, 65, Lichfield Street, Wolverhampton, Practising Accountant.

ASSOCIATES.

- BASKIN, RONALD STEWART, Clerk to Cooper & Kenny, 34, Dame Street, Dublin.
- BEDDY, THOMAS ROBERT, Clerk to Cooper & Kenny, 34, Dame Street, Dublin.
- BEESON, WILLIAM ANDERSON, Clerk to Carter, Clay and Lintott, 1-2, Queen Street, Cheapside, London, E.C.4.
- BROWN, JOHN KENNETH, Clerk to C. P. Barrowcliff & Co., 55-57, Albert Road, Middlesbrough.
- BROWN, NORMAN MARCUS, Clerk to Salter, Chapman & Co., Viaduct Chambers, 38, Holborn Viaduct, London, E.C.1.
- BUMFORD, PRYCE HENRY, Clerk to J. Wallace Williams and Co., 84, Chancery Lane, London, W.C.2.
- CHALKLEY, HARRY, Clerk to W. T. Plummer, Guildford Chambers, Cheapside, Luton.
- CHRISTOPHER, JAMES WILLIAM ROBERT, Clerk to Clarkson and Rumble, 16, Devonshire Square, London, E.C.2.
- COWAN, IAN MALCOLM, Borough Treasurer's Department, Town Hall, Wolverhampton.
- CROOKS, NEVILLE, Clerk to Shirley, March & Co., Granby Chambers, Halford Street, Leicester.
- DALE, ARNOLD, Clerk to Goldie, Campbell & Robins, Bank Chambers, Lowgate, Hull.
- DAVER, NAUSHIRWAN BURJORJI, Clerk to Batliboi & Purohit, Yusuf Buildings, Churchgate Street, Fort, Bombay.
- DAVIES, KATE, Public Trustee Office, Kingsway, London, W.C.2.
- DORNAN, JOSEPH, Clerk to Muir & Addy, 7, Donegall Square West, Belfast.

- DOYLE, ANDREW JAMES, H.M. Inspector of Taxes, Alnwick District, 34, Bondgate Within, Alnwick, Northumberland.
- DRAPER, NORMAN MITCHELL, Clerk to John Draper, 67-69, Swan Arcade, Bradford.
- DUBASH, SOLEE FRAMROZE, B.Sc., Clerk to S. B. Billimoria and Co., 113, Esplanade Road, Fort, Bombay.
- FRANCIS, THOMAS GRAHAM, Clerk to Ashworth, Mosley and Co., 104, King Street, Manchester.
- FRANKLIN, ARTHUR ERNEST, Clerk to Kimpton, Holland & Co., Tredegar Chambers, Bridge Street, Newport, Mon.
- GOSTYN, LEONARD, Clerk to Chalmers, Wade & Co., 24, Coleman Street, London, E.C.2.
- GRUBB, CYRIL BERTIE, Clerk to Arthur E. Green & Co., 100-106, Moorgate Station Chambers, London, E.C.2.
- GUY, HAROLD CLAVERING, Clerk to T. Harold Major, 4, Royal Arcade, Newcastle-on-Tyne.
- HANRAHAN, EDWARD PERCY, Clerk to Atkins & Booth, 76, Derby Street, Macclesfield.
- HARRISON, DONALD NORMAN, Clerk to H. P. Gould & Son, 8, Upper King Street, Norwich.
- HILL, ALBERT, Clerk to Bertram Silcock & Co., Bold Street Chambers, 31, Bold Street, Warrington.
- HILLS, CHARLES HENRY, Clerk to Joseph William Blackham, County Buildings, 147, Corporation Street, Birmingham.
- HODGKISS, JOHNSON BENNETT, Clerk to A. L. Price & Co., 8, Exchange Street, Manchester.
- HUNT, GEORGE WILLIAM, Clerk to Angus Scott & Co., 81, Cannon Street, London, E.C.4.
- JONES, WILLIAM ANGUS, O.B.E., City Treasurer's Office, The Council House, Bristol.
- KINSLEY, WALTER ALFRED, Clerk to Arthur E. Piggott, Son & Southworth, 37, York Street, Manchester.
- KINSMAN, RONALD DESMOND LEWIS, Clerk to Cassleton Elliott & Co., 4-6, Throgmorton Avenue, London, E.C.2.
- LEWIN, JACOB, Clerk to Pix & Barnes, 24, Coleman Street, London, E.C.2.
- LIVINGSTONE, HARRY, Accountant's Department, Easington Rural District Council, Easington, Co. Durham.
- McMICHAEL, DONALD, Clerk to A. France & Co., West Bar Chambers, Boar Lane, Leeds.
- MAGEE, FREDERICK ALFRED, Clerk to Harold Smith & Co., 3, Cluyd Street, Rhyl, North Wales.
- MANN, HORACE, Clerk to Armitage & Norton, Martins Bank Chambers, Bradford.
- MARSH, HERBERT KENNETH, Clerk to Kimpton, Holland and Co., Tredegar Chambers, Bridge Street, Newport, Mon.
- METCALFE, LESLIE, Clerk to Massey & Ellison, 46, Cherry Street, Birmingham.
- MILLINGTON, CARL, Clerk to Percy G. Stenbridge, Burlington Chambers, 118, New Street, Birmingham.
- MORRIS, GLYN, Clerk to Tribe, Clarke, Cawker, Owen and Co., 56, Wind Street, Swansea.
- MOSS, JAMES, Clerk to John W. Hirst & Co., 28, Queen Street, Albert Square, Manchester.
- MOWFORTH, GEORGE MCKEE, Clerk to Hodgson, Harris and Co., Bank Chambers, Parliament Street, Hull.
- MURRAY, ROBERT ALEXANDER, Clerk to J. Jackson, Saint & Co., 22, Lowther Street, Carlisle.
- NORTON, RICHARD WILLIAM, Clerk to Edward Myers and Clark, Trafalgar Buildings, Northumberland Avenue, London, W.C.2.
- ORMEROD, DONALD (formerly Clerk to Litton, Pownall, Blakey & Higson, 42, Spring Gardens, Manchester), 6, Bonar Road, Avondale Road, Stockport.
- O'SULLIVAN, TERENCE, Clerk to W. B. Keen & Co., 23, Queen Victoria Street, London, E.C.4.
- RABY, EDWARD WALTER, Deputy Borough Treasurer, Town Hall, Lytham St. Annes.
- SALTER, ALBERT, Clerk to Alban & Lamb, Central Chambers, Newport, Mon.

SANDERS, ARTHUR EDWIN, Clerk to Louis Nicholas & Co., 19, Castle Street, Liverpool.

SANDERS, FRED, County Accountant's Department, Bucks County Council, County Offices, Aylesbury.

SASTRI, CHAVALI SUBRAHMANYA, B.A., Clerk to Dalal and Shah, 70, Medows Street, Fort, Bombay.

SHEPPARD, KENNETH ARTHUR, Clerk to Clarkson and Rumble, 16, Devonshire Square, London, E.C.2.

SMITH, ABRAM WILKES, Borough Treasurer's Office, New Square, Chesterfield.

SUTTON, CHARLES ERNEST, Clerk to A. P. Smith & Co., Patts Bank Buildings, 3, York Street, Manchester.

SYKES, FRANK, Clerk to W. Claridge & Co., 53, Well Street, Bradford.

TODD, HENRY CHARLES, Clerk to W. G. Kay & Co., Melbourne House, Aldwych, London, W.C.2.

TOPHAM, ROBERT LUPTON, Clerk to Wm. Robertshaw and Myers, Barclays Bank Chambers, North Street, Keighley.

TOWNSEND, SIDNEY (Lewis, Goodwin & Townsend), 18, Queen Street, Market Drayton, Practising Accountant.

TOWNSEND, WALTER HUGH, Clerk to H. B. Brandon & Co., Scottish Provident Buildings, 7, Donegall Square West, Belfast.

TRAYLER, JACK WILLIAM, Clerk to Woolley & Waldron, 6, Portland Street, Southampton.

TUFFIN, LESLIE, Clerk to William C. Westlake, 22, Portland Street, Southampton.

TWIGG, JOHN AMOS, Accountant's Department, Metropolitan Water Board, 173, Rosebery Avenue, London, E.C.1.

TWIST, CUTHBERT MONCRIEFF, H.M. Inspector of Taxes, 17, North Audley Street, London, W.1.

VARNEY, REGINALD, Clerk to Nutt & Horne, St. James' Chambers, Derby.

WALKER, CHARLES, Clerk to Lawrie & Todd, 3, Granby Street, Leicester.

WARD, WILLIAM WALLIS, Clerk to Turquand, Youngs and Co., 19, Coleman Street, London, E.C.2.

WARLAND, EDWARD GRAHAM, Clerk to Painter, Mayne and Walker, 103, Cannon Street, London, E.C.4.

WHEELER, REGINALD LESLIE, Accountant's Department, Northamptonshire County Council, County Hall, Northampton.

WILLIAMS, WALTER WILLIAM, Clerk to T. Harold Platts & Co., 126, Colmore Row, Birmingham.

Obituary.

EDWARD BLINKHORN.

We regret to announce the death, which took place on March 20th, of Mr. Edward Blinkhorn, who had been a Fellow of the Society since 1886. Mr. Blinkhorn was the senior partner in the firm of Edward Blinkhorn, Lyon & Co., Incorporated Accountants, London. He took a keen interest in the affairs of the Society and was frequently present at the General Meetings, and also the meetings of the Incorporated Accountants' Benevolent Fund. The funeral took place on March 26th, and a memorial service was held at Christ Church, Crouch End, London.

FREDERICK WHALLEY.

We record with regret the death of Mr. Fredk. Whalley, which took place at his residence, 62, Rodney Street, Liverpool, on Sunday, March 2nd, after two days' illness. Mr. Whalley, who practised at 21, Harrington Street, Liverpool, was admitted an Associate of the Society of Incorporated Accountants and Auditors in 1897, and became a Fellow in 1918. At the time of his death he was in his sixty-seventh year, and was much esteemed by his fellow members in Liverpool and district.

Present-day Industrial Development.

A LECTURE delivered before the Liverpool and District Society of Incorporated Accountants by

SIR CHARLES J. O. SANDERS, K.B.E.

Sir CHARLES SANDERS said: I wish, first of all, to express my appreciation of the honour you have done me in asking me to address you. Your profession was recognised before the Great War as an indispensable part of industrial organisation, but since the War it has undoubtedly grown in influence and in public estimation. The impetus to that added sense of the importance of the work of the accountant was given during the War when the business undertakings of the Government were so enormous, and involved such vast expenditure of public money, that it was necessary to impress into service the trained mind of the accountant to deal with the intricacies of the transactions. Confidence begets confidence, and to-day the functions of the accountant have become wider, not only embracing the subtleties of finance and the correlation of figures, but also the general organisation of business and its multifarious operations. The accountant has become the trusted adviser and oftentimes the leader in schemes of re-organisation, and, moreover, is called upon to unravel, on behalf of the law, such complicated cases as that recently associated with the name of Hatry.

It was when I thought of these things that I convinced myself that I had fallen a too easy victim to Mr. Summerskill's seductive letter inviting me to your meeting and suggesting that I should speak about "Present-day Industrial Development." I am afraid that I shall be unable to say anything new to an audience of this kind. I can but hope to freshen up some of the commonplaces familiar in your everyday experiences.

It is obvious that when we talk of development we are dealing with something which is dynamic and not static. It implies never-resting evolutionary forces ever working towards progress. Development is a process—not an event. And these evolutionary forces have been so active during the past decade, and have effected so many changes in outlook and aspiration, as well as in practice that it would be quite impossible, within the time limit of an address, even to summarise them adequately, let alone speak about them in detail. It is also doubtful whether, while we are in the midst of them, we are in a position to judge aright of their effects or of their tendencies in shaping the future form of our industrial activities.

I propose, therefore, to confine my remarks to two or three outstanding features of present-day development, oftentimes brought about as much by political action as by economic pressure—in fact, these two forces have constantly reacted one upon another. All have their roots in the years which are gone, and in order to obtain a true perspective of the changed conditions which obtain, it is necessary to place over against them the large background of the past. A proper sense of history is a priceless intellectual possession. It stabilises thought, prevents panic, and often inspires men and movements battling against adverse circumstances. Further, a large background to which we can relate the everyday happenings in the routine of industrial life is a valuable working possession. It stimulates courage, gives endurance, and, above all, keeps the vision of the ultimate bright.

BRITAIN'S EARLY TRADE.

The labour of man through all the ages of mankind has been directed to supplying his physical needs and mental satisfaction. This has been the inspiration for that co-operation between the brain and the hands which has resulted, through evolutionary processes, in industry as we know it to-day. When Britain first appears in the pages of history she is seen supplying a world need—tin in the Bronze Age. It was the beginning of her export trade, by barter with the Phœnicians to supply the physical need of her people for better clothing. Then, during the Roman occupation, inland communication was opened up by the construction of great arterial roads. And so we see the beginnings of the necessities of industrial development in an island Kingdom—export trade and quick transportation. Centuries later it was on these two factors that Britain built up her prosperity and the welfare of her people.

It was not, however, until after the Norman Conquest in the eleventh century, with the concentration of craftsmen in towns, that industry—mainly in the manufacture of woollen and leather goods—began to be organised. Craft guilds were formed to control industrial operations, and merchants began to trade. Slowly industry expanded during the next 300 years and in the fourteenth century exportation of products was a recognised feature of British trading, greatly stimulated by the settlement of Hanseatic merchants at the famous Steelyard in London. In the sixteenth century the woollen industry made considerable progress, and with the development of the cotton industry in the seventeenth century we captured many of the world's markets.

FACTORY PRODUCTION.

Up to this point industry depended on man-power, and, in the main, the distinction between master and man was one of rank and not of a separate class. But in the eighteenth century Watt discovered steam-power, which revolutionised industrial processes and created political and social problems which have lasted to this day. Factory production gradually superseded domestic production, and a great influx of workers from rural districts to the towns made for bad housing and unhealthy living conditions. Looking back, we can see that eyes were blinded by the glittering race for wealth, and there was no vision of the supreme importance of the body and soul of the worker.

INDUSTRIAL REVOLUTION.

Such was the foundation of what we know as the Industrial Revolution, which was gravely complicated in its beginnings by twenty years of war-time abnormality in trade, in prices, and in employment. And when the Napoleonic wars came to an end it was still further complicated by adverse circumstances practically the same as those of the years which have followed the Great War—loss of overseas trade, capacity to supply outstripping demand, a great army of workless unrelieved by any form of industrial insurance, discontent so grave that men vapoured of revolution; riots flared in the country, the new machinery was destroyed, manufacturers were shot, and men were hanged. We escaped these latter horrors because of the increase of knowledge due to universal education, and of a conscious humanitarianism which had grown up in the latter half of the nineteenth century and is now expressed in our unemployment insurance and other social services. The condition of industry a little over 100 years ago was full of human abuses. Men, women, and children worked excessive hours. It was only in 1833 that a maximum working day of nine hours was fixed for children under 11 years

of age. There were no safeguards against dangerous machinery. Public opinion was incredibly lethargic. No wonder that a barrier was erected between employer and employed built up on suspicion, the effect of which has outlived the conditions on which it was founded. And smaller wonder still, that the victims, unable to help themselves, turned to Parliament to remedy these abuses, and not in vain. After much inhuman obstruction Factory Acts were passed for the protection of workers, trade unions were legalised, and provision was made for the compulsory education of children.

In the meantime, invention continuously improved the use of steam-power, and these inventions skilfully applied to industry caused productivity to increase by leaps and bounds. The foreign trade of Britain expanded enormously with every decade, and wealth flowed in from the markets of the world. We had, by the end of the nineteenth century, become the workshop of the world. It was in the main due to the work of men great in individual initiative, energy, and enterprise, merging reluctantly towards the end of the century into the associated work of corporate bodies. It was also due to our favourable geographical position, our mineral resources, the inbred adaptability of our race, the developed skill of the workers, and, not least, to the splendid transportation services rendered by our efficient merchant ships, which became the sea-carriers of the world.

CHANGED CONDITIONS CAUSED BY WAR.

Our success pointed the road to other nations, and their competition became intrusive; but we held the position up to the outbreak of the Great War in 1914. The result of that tremendous upheaval was to shatter to the foundations our trade and commerce, making easy the path of some of our competitors, and leaving us with unprecedented problems to solve caused by disorganisation, dislocation, and maladjustment of our industrial machine in the changed conditions created. Since the peace we have been engaged in endeavouring to build again the house of our national prosperity and at the same time to meet the new aspirations of our people, some true and some false, both in origin and conception. The road has been rough, strewn with many obstructions. There have been the clash of interests, the appeal to force, the revival of old prejudices, the clinging to old insular habits of thought and action, the confusion of political programmes, the perpetual propaganda of those suffering from political myopia, the acceptance of temporary expedients for permanent measures—all these things and more, shining oftentimes with the iridescent colours of a soap bubble, have captured the public eye, distorting the sight and so preventing a clear-eyed vision of the actual facts.

COMMON UNDERSTANDING.

It has always been so after war, the glory of victory has been quenched in distress and suffering; the spirit of common sacrifice, flaming in war, has died in peace; the national objective has been lost in private interests, and the steady united effort, born out of a common understanding, has been dissipated in the vacillating unrelated endeavours of divisive misunderstandings. And yet, all the time, the call is for the same spirit of sacrifice, the same national objective, the same steady united effort based on a common understanding, to enable us to climb upward from the valley of industrial depression to the hilltop of renewed prosperity. I believe that all too slowly we are beginning to listen to the call, and that these qualities which helped us in the problems of war are being applied, on the field of politics and in the

realm of economics, to the problems of peace. Signs are not wanting in present-day industrial development which, to me, indicate that out of the travail of adversity is being born that common understanding of the facts which makes for united effort. For instance, all shades of political and economic thought agree on these two fundamental necessities:—

(1) A close co-operation between all concerned in industry; and

(2) A reconstruction of the industrial machine so as to secure increased competitive power for our manufactured goods in the world's markets.

In the developments proceeding to-day progress is being made to meet the requirements of both these complementary necessities. What are the facts?

(1) CO-OPERATION IN INDUSTRY.

First, as to the development in the relations between the great partners in industrial operations—employers and employed.

No industrial country can point to an earlier beginning in providing, by mutual agreement, conciliation machinery for the settlement of differences between management and workpeople, as this country; and neither is there any country which can show a more patient and progressive advance in the use of such machinery. All the great British industries have machinery of this kind most suitable to their manufacturing processes, and the agreements have, as a rule, been honoured with scrupulous care by both sides. In essence, their object is to protect the interests of employers and employed by maintaining continuity of work. Their foundation is that points of dispute should be subject to the force of argument rather than to the argument of force, although the weapons of the strike and the lock-out are jealously guarded as a last resort. Obviously, the getting together for discussion around a common table increases the knowledge of both sides, and makes for understanding and mutual respect. It has made co-operation possible where otherwise it would not have been attained.

Each agreement, however, only relates to procedure for dealing with conditions of work and wages. General economic and commercial questions affecting the particular industry, or industry as a whole, are not specifically subjects for discussion under the agreements. And yet in recent years, when politics have become increasingly industrial, labour was bound to take more and more interest in such subjects and has sometimes formed opinions on half-truths, failing full knowledge. Machinery was needed to enable employers and employed to discuss such questions, and it has recently been provided. The Trades Union Congress is the central body representing the Trade Union movement; the National Confederation of Employers' Organisations is the central body representing federations of employers for labour purposes, and the Federation of British Industries is the central body representing employers for commercial and economic subjects. These bodies have not hitherto recognised one another for purposes of general or particular discussions. They lived apart in their own spheres, but now, by an agreement made at the end of last year, they have come together and propose jointly to discuss such important questions as unemployment, finance, taxation, international trade—in short, all matters which affect national industry and commerce.

Thus by the sacrifice of prejudices and old-fashioned principles on both sides, the industrial machinery for consultation and co-operation between employers and employed, whose primary interests are one and indivisible, is being completed. Without such co-operation the re-

construction of the industrial organisation of the nation is practically impossible.

(2) RECONSTRUCTION OF INDUSTRY.

Secondly, as to development in the reconstruction of industry. Obviously, it is very much overdue. We have spent too long in looking backward to the years before the war, expecting that pre-war methods would bring us a renewal of pre-war prosperity. We have been loath to believe that pre-war conditions would not return. Now industrialists, political economists, and public opinion, enlightened by continuous grave unemployment, realise that these conditions are gone for ever, and that prosperity will only be achieved by facing with courage and, if necessary, with sacrifice the new conditions which exist and which call for new methods. Our nineteenth century organisation is recognised as inefficient for the economic and commercial demands of the twentieth century. This changed attitude of mind is all-important. It gives promise of the essential qualities of insight and foresight in dealing with present day problems.

PROBLEM OF COSTS AND PRICES.

Students of industrial progress saw before the war indications of world industrial changes which would challenge Britain's predominance in the world's markets. The war greatly accelerated these changes, and owing to their operation we are no longer the workshop of the world. Our export trade is one-fifth less in volume than it was pre-war, while the population of Great Britain is estimated to have increased by about six or seven millions since the beginning of the century. The world's trade has expanded—our share of it has decreased. Countries—often behind high tariff walls—are manufacturing the goods we used to sell to them, and have become our competitors in foreign markets. We still live on our export trade. The grave fact confronts us that this trade is not expanding sufficiently to maintain the present standard of living of our people, and no section of industry or politics would willingly see a reduced standard of living. We know beyond a shadow of a doubt that the problem is one of costs and prices, and assuredly, unless we solve this problem, we shall cease to hold our place in the world, in industry, in commerce, in economics, and ultimately in political power.

What, then, are we doing to meet this serious situation? Slowly, all too slowly, we are moving towards a common understanding of the problem which may form the basis for that united effort which is imperative—an effort which will increase our output by retaining our craftsmanship, in which we are still pre-eminent, and yet attain price levels which will compete in international markets.

The movement is in two parts:—

- (a) One within industry's own control; and
- (b) One outside its control.

Both parts, however, are the outcome of looking at our national economic and industrial position in the light of the international economic and industrial position. It is recognised that the world is turning towards internationalism in industry as in politics; that the world is more than ever an economic unity. The lamps may be many but the flames are one.

(a) ACTION WITHIN THE CONTROL OF INDUSTRY.

The development within the control of industry is towards what is known as rationalisation—a process which began in Germany to ration production and to reduce costs at a time of extreme depression, gradually expanding to embrace the co-ordination of finance, equipment, distribution, marketing, salesmanship, &c.—in short, a reorganisation of all the factors in industry to cheapen production of the industrial unit and to relate

it to demand. To me it simply means hard thinking in face of adverse facts until an ordered plan is devised to overcome them. In that form it embraces any method which unifies the whole structure of industrial activity, promotes efficient production, lowers costs and so reduces price levels to world values. We must, however, beware of thinking that because the German method has been successful in increasing the value of Germany's exports last year by no less a sum than £227,000,000 over the value of 1925, it is suitable of application in all cases to the conditions in this island Kingdom of ours, or that the precise method of scientific management so much advertised in America will fit the mentality of our managers and workpeople; but in some form or other, reorganisation and reconstruction are inevitable. Where it takes place, it often means, as a preliminary experience, common sacrifice on the part of shareholders, management, and labour, but new methods must be judged by their ultimate value, and not by temporary disadvantage or even temporary advantage.

Rationalised schemes are now being announced for our staple industries at an increasing rate. They take different forms, but the object in each case is to control and co-ordinate all effort towards efficient operation. We have, for instance, co-operation by groups within an industry, definite amalgamation of interests, mergers, pooling of resources, concentration of specialised production, and co-ordination of selling arrangements besides what may be called complete rationalisation of an industry in its widest sense, of which Imperial Chemicals is an outstanding example. It is said that in this case 9,000 people were dismissed as a first result, but they were afterwards absorbed and within fifteen months double that number were engaged in the industry.

Equipment, Power, Research.

I might dwell on the importance of good salesmanship and good advertising, to which attention is being directed, but there are three developments within the scope of reconstruction which need special mention—those in respect of equipment, the use of power and research work. It is in these three directions that our three principal competitors—France, Germany, and the United States—have made great productive progress. Speaking generally, we have lagged behind, and our industrial plant is not as up to date as it must be for present needs. There is consequent waste of energy, both mechanical and human. This waste must be ruthlessly eliminated by scrapping obsolescent plant and installing the latest products of machine invention. This is being done but, at present, on a too limited scale, hampered by cost and also sometimes by the opposition of workers. This is where labour can give valuable assistance by keeping an open mind and co-operating in the use of speedier and more economical equipment.

Then steps are being taken to provide more economical power, the most important being the operations of the Central Electricity Board towards the national unification of the supply of electric power. Here, again, we have lagged behind our competitors in cheapening production. At present 4½ h.p. per worker is being used in the United States, of which 3½ h.p. is electrically driven. In Great Britain 2½ h.p. per worker is used, of which 1½ h.p. is electrically driven. If we can add 2 h.p. per worker electrically driven we shall reach the American standard, and the importance of this increase will be realised when we are assured that the prosperity of the United States is due largely to the employment of machines run by electric power.

Incidentally, I may mention that the electrical manufacturing industry is a good example of the trend towards

industrial internationalism by unification of interests in combines and by affiliations. The ramifications of the General Electric Company of the United States and of the Westinghouse Group are world-wide. In fact, it may be said that this industry is world-controlled by these groups, and is made more complete by the recent announcement of a union between the greatest German electrical concern, Siemens & Halske, and the American General Electric Company.

Research work is a prime necessity in most of our industries to-day, and many of them have set up their own bodies for this express purpose. Good examples are the Research Council of the iron and steel industry, and the British Electrical and Allied Industries Research Association. More use is also being made of the Department of Scientific and Industrial Research. Last year the Department received more requests than in any previous year for special investigations and advice on industrial problems. It is being realised that such work often leads to considerable savings in cost.

(b) ACTION OUTSIDE THE CONTROL OF INDUSTRY.

And now we come to developments outside the control of industry. There are two of prime importance—action by banking interests, and action by the State.

With regard to the first, rationalisation in any form is costly and generally needs new capital for its operation. Such capital is difficult to obtain in the ordinary way in the absence of stable and profitable conditions, and our banking system is different in operation from that of our Continental neighbours inasmuch as their banks are accustomed to provide permanent capital for industrial concerns, whereas our banks confine their operations to helping current trade. We have, however, been assured recently that banking interests are ready to assist in well-considered schemes of industrial reorganisation. The fact that the Bank of England formed two or three months ago the Securities Management Trust for the purpose of forwarding rationalisation schemes in which the Bank is interested, is a welcome development.

Action by State.

With regard to the second—action by the State—there are developments which have taken place in recent years, some of which are helpful and others distinctly disadvantageous to industry. For instance, the establishment of the Overseas Trade Department has been of assistance by providing knowledge of foreign markets and of the needs of foreign customers, through British Trade Commissioners and the Diplomatic Commercial Service. Its export credits scheme, under which exporters can insure against the risk of foreign bad debts, has stimulated enterprise. Since July, 1926, when the scheme began, the total face value of the policies issued is getting well on to £11,000,000. Also, the development of the British Industries Fair and other exhibitions abroad has been most useful.

De-rating Scheme.

Then the de-rating scheme, which came into full operation a few months ago, is a State development which ought to lighten considerably the heavy burden placed upon industry by local rates. Until this legislation was passed there seemed to be no intelligent appreciation of the immense handicap which the growing burden of taxation placed upon our export trade. The increased cost of production from this source alone, far in excess of what our foreign competitors have to bear, oftentimes means prices which fail to meet international values. The burden placed upon our competitors is being reduced, while the tendency is to increase our load. One doubts whether, after all, industry, do what it will

in the way of reorganising itself, will achieve prosperity until substantial relief of the burden is given.

Public Expenditure.

It is just in this matter that the State could help by securing rigid economy in public administration and drastic reduction in public expenditure. Instead, Acts of Parliament are passed necessitating an increase in public officials, and the social services are expanded before we can afford to pay for the expansion. In the long run industry has to pay for these schemes, and, ultimately, there is a danger of the springs becoming dry. Can we hope that the present Chancellor of the Exchequer is realising the position in a practical way? He is reported to have said recently that—

"the State should use all the power it has to help the restoration and increase the prosperity of industry. Nobody has a greater personal interest in that than the Chancellor of the Exchequer, because it is through the prosperity of industry that the national revenue can be secured. And, therefore, the responsibility of the Chancellor of the Exchequer, when he is faced with the imperative need of raising revenue, is to do it in such a way as will rather be a help and encouragement to industry than an additional burden upon it."

If Mr. Snowden acts upon this statement then it will be a welcome development to industry and a very practical "encouragement" in its struggle. He might find help in the recently established State Economic Advisory Council, appointed to make continuous study of developments in trade and industry, in the use of national and imperial resources, the effect of legislation, fiscal policy, and other movements, on the prosperity of the country. If this Council does not become purely academic and keeps in close touch with practical working industrialists much good may result.

Welfare Work.

I fear that I have wearied you, but there is one other modern development I ought to mention. It began with State action during the War, and since has been adopted voluntarily within industrial organisation, and has made significant and notable progress. I refer to what is known as welfare work, the central body being the Industrial Welfare Society, whose President is H.R.H. the Duke of York. This movement recognises the importance of the human factor, and studies all that makes for his bodily and mental well-being. After all, human values are the great values, and more and more we are coming to see that the physical and mental conditions under which the human machine works are important factors in production. Further, that provision for the educative and social needs of the worker outside working hours, as part of industrial organisation, reacts on those conditions and makes for that real team-work on which the most perfect industrial concern ultimately depends for success. Such work is the necessary corollary to the movement towards larger units of production, and renews that human touch which was so successful a feature of family businesses in the old days. Welfare work is doing much to cultivate that individual character upon which the quality of British goods depends. That quality has built up for us a goodwill in the world's markets which is still a national asset. We should guard it well for, finally, the competitive race in international trade will be won by the nation which has the highest commercial integrity and which gives customers the highest quality goods their purchasing power enables them to buy.

I have endeavoured to trace the transition of industry from man-power in the eighteenth century, when science

had given it only a small control of the forces of nature, when means of communication were slow and the world was large and disconnected; to steam-power in the nineteenth century, when science was handing industry an increasingly definite control of natural forces, when means of communication were speedier and the world was becoming much smaller; to our present day, which I regard as the beginning of the Electrical Age, when science is unrestingly handing industry more, and ever more, marvellous control of the forces of nature, until sometimes one wonders whether, as has been suggested, it would be well to stop inventions for 40 years to allow us to catch up; when means of communication on land and sea and in the air have become so swift as almost to annihilate distance, and the world has contracted to a span.

"We have seen the beginnings of industry, traced its history through the centuries, and tried to interpret present conditions. What do they indicate? Who shall say? But, perhaps, we may suggest that the trend of modern industrial development is towards unified control of finance, of power, of direction, and of methods. If so, surely industry is keeping step with the principle of unification, which is such a feature to-day of world movements towards a higher and better life for mankind."

INSTITUTE OF ARBITRATORS.

Educational Policy.

Speaking on the educational policy of the Institute of Arbitrators at a luncheon given to kindred bodies, Mr. Alan W. Davson, F.S.I., Chairman of the Education Committee, said that with such a profusion of Institutes as now existed it was necessary to establish, first of all, the necessity for the Institute of Arbitrators as a separate entity.

He thought this was proved by the fact that practically all its members were loyal members of other bodies and that they had felt a natural urge to make a special study of this subject. Following up this urge, they realised that it was common to many callings, and they had come together to develop these aspirations. Combined under the Institute of Arbitrators they were endeavouring to achieve their ambitions and improve the means of acquiring knowledge of and concerning Arbitration.

Their activities, which had come to fruition within the last two years, included an annual dinner, bi-monthly luncheons on the more social side, and Post Graduate Courses on subjects pertaining to arbitration, practice arbitrations, the development of a new series of the journal, and the completion of a Syllabus of Examinations for the Associateship on the strictly educational side. In the preparation of this Syllabus every step had been taken to avoid regarding the examination as an end in itself and to put the candidate and the Institution to the minimum of trouble in establishing the real purpose—his right to professional membership.

In considering the educational programme, Mr. Davson pointed out that general policy was never lost sight of, namely, to provide efficient arbitrators and to overcome the objections to arbitration which in the past have been made not without some justification. The business man wanted an efficient arbitrator. He did not mind very much how he became one. In the Institute of Arbitrators, however, there were men who not only acted frequently as arbitrators, but also as special witnesses and advocates, and they were well aware what was necessary for the arbitrator of the future and for the betterment of the cause of arbitration.

They were looking forward, and they felt that whilst an arbitrator did not require, in addition to his specialist knowledge, to be in any sense a legal expert, he would not be fitted for the onerous position without an elementary knowledge of the law and procedure with which he had to deal. Hence the establishment of an examination for the Associateship which would take the place gradually of application simply on qualification. Also, in the interest of the parties and the arbitrators the Institute in 1926 established a code of rules under which arbitrations conducted under the auspices of the Institute would be carried through. These rules were recently revised, and in addition a new code initiated to meet the needs of business men in suitable cases where all were agreed to keep the cost down to the minimum. Clearly, then, the educational policy was directed all the time to the practical issues involved.

Continuing, Mr. Davson said that the Institute felt that they were now in a position to ask for the support of other bodies, in their mutual interest, whose members were directly or indirectly interested in arbitration, and to invite the many representatives of the various important Institutions present to give consideration to the following suggestions:—

- (1) As their panels of tested arbitrators become depleted, to fill them from their own members who were also on the panel of the Institute of Arbitrators.
- (2) To make it clear to younger members that the dual qualifications would be looked upon with favour.
- (3) To assist the Institute to get its activities better known to members of the respective bodies by ways and means to be discussed.

In cases where the Institutions held examinations, the Institute of Arbitrators would like to offer a prize for the candidate who, passing the examination as a whole, got top marks in arbitration. Mr. Davson stated also that the Institution had organised an arbitration team competition, and he hoped that the various kindred bodies would enter a team from those who, having passed their examinations as a whole, did best in arbitration. He felt that this competition had a special significance. In sport it was a red-letter day when anyone was first asked to represent their school, county or country. In business or professional work likewise, it would be a great adventure for a young associate, soon after he had obtained his degree, to be invited to represent the Institution in a competition of this description. It would also enlist the sympathy of a large number of younger men in the cause of arbitration. This cause, generally, was supported by the Englishman. The speaker pointed out how the field of arbitration was extending, but he indicated how careful a new Institute must be not to interfere with existing arbitral machinery; to offer and readily give co-operation where it is accepted; to assist new occupations where no arbitral machinery had yet been developed, and, through the value of its work, to inspire confidence and secure the support of all concerned in arbitration.

Finally, Mr. Davson pointed out that membership was not restricted to professional members, although it was hoped everyone eligible would assist the cause by joining. The Council had particularly created a class of subscribers so that everyone interested in arbitration could support a policy which investigation had proved to be not only a means for the settlement of technical disputes simply, economically, and efficiently, but also by the creation of adequate machinery necessary for the purpose tended to lessen the number of disputes which reach that unfortunate stage, and so assisted towards goodwill and the smooth running of industry.

Some Thoughts on Recent Finance Acts.

A LECTURE delivered before the East Anglian Society of Incorporated Accountants by

MR. G. B. BLUNDEN,
INSPECTOR OF TAXES.

The chair was occupied by Mr. H. HARPER SMITH, F.S.A.A., Lord Mayor of Norwich.

Mr. BLUNDEN said: I propose in this paper to consider principally the great changes that have been effected by recent Finance Acts in the basis of liability to assessment under Schedule D. As you are all probably aware, these changes are very largely, if not almost entirely, based on the recommendations of the Royal Commission on Income Tax, which was appointed in 1919 to inquire into the income tax of the United Kingdom in all its aspects, and made its report on March 11th, 1920. That report was signed by all the Commissioners, and though there were a number of reservations none of them has any bearing on the matters to which I intend to refer in the following remarks.

Before turning my attention to more recent legislation, I should like to mention the alteration made by sect. 17 of the Finance Act 1922, in the basis of assessment of untaxed interest under Case III, Schedule D. The provisions of this section were the outcome of the decision given by the House of Lords in the case of the *National Provident Institution v. Brown*. As originally drafted, Case III imposed the tax on the interest arising in the year preceding the year of assessment, but no rule was provided for computing the tax in a case where the preceding year's basis obviously could not apply, i.e., in the year in which the interest first arose. Applying the words literally, as one is bound to do in a Taxing Act where they are free from ambiguity, the Revenue Authorities took the view that no assessment could be raised in what I will call year one, and that in year two the assessment must be based on the interest received in year one. Applying similar reasoning, an attempt was made to assess under this case in the year following that in which the interest ceased. Thus, supposing untaxed interest was received in five successive years, one to five inclusive, the taxpayer was assessed on the actual interest received and no more, but the assessments were made as for the five years from two to six inclusive. You will appreciate that there was nothing of an inequitable nature in the proceeding, but the official practice was found to be legally indefensible by the unanimous decision of the House of Lords in the case which I have just mentioned. The Law Lords were under no doubt whatever that an assessment could not be made in any year if the source of the income which it was sought to assess had ceased before the commencement of that year. Some remedy was clearly necessary if the Revenue was not to suffer an appreciable loss. If it was not permissible to assess untaxed interest in the year following that in which it ceased to arise, it was only right that we should have the power to raise an assessment in the year in which such interest first arose. Hence the reason for altering the law with regard to Case III liabilities before tackling the general problem of the basis of assessment in the more important cases of Schedule D, viz., Cases I and II, which deal with the profits of trades and professions. You will have noticed that the provisions of

sect. 17 of the Finance Act, 1922, have been adopted in their entirety for computing other liabilities in the earlier years, e.g., those arising under Cases IV and V of Schedule D—Proviso (b) to sect. 29 (1) Finance Act, 1926, and also under Schedule E—sect. 45 (4) Finance Act, 1927. These provisions could only be put into force when the general basis for assessment of those liabilities had been brought into line with that for untaxed interest. I do not wish to labour the point, but will just recall to your minds the old bases, viz:—

Cases I and II, Schedule D.—The average income of the three years preceding the year of assessment.

Case IV, Schedule D.—The income of the current year of assessment.

Case V, Schedule D.—The average income of the three years preceding the year of assessment.

Schedule E.—The income of the current year.

No. III, Schedule A.—Various bases, according to the nature of the property. In the case of mines, it was an average of the five preceding years.

Is it any wonder that people complained of the complexity of the tax? In my opinion, the most important of all the recommendations of the 1920 Royal Commission was the one in which they suggested that there should be a clean sweep of all these various bases, as far as that was at all practicable, and the substitution of one uniform basis. They were, however, a little uncertain as to what would be the best alternative, and in the end recommended the preceding year's basis instead of the current year. In theory the latter is clearly preferable, because a taxpayer would then bear tax every year on his actual income and not on any fictitious figure, as he must do where the tax is levied on a hypothetical or notional income. There are serious administrative difficulties in the way of levying tax which is to be assessed on the income of the current year, to say nothing of the great loss of revenue that would result in the year in which the change over to the new basis was made. So the Royal Commissioners suggested the next best thing—the preceding year's basis—though with a certain amount of regret. There are certain broad divisions or classes of income to which such a basis is not applicable, the chief of which is obviously investment income taxed at the source by deduction. There is also income from property, such as rents, tithes, &c., which, though the subject of assessment and therefore within the control of the Taxing Authorities, partakes largely of the nature of income which is taxed at the source. The owner of ground rents or lease rents suffers the tax at the time of its receipt; and, before the war at any rate, the majority of property-owners did the same, i.e., by deduction of the Property Tax from their rents by the tenants, who were assessable and paid the tax in the first instance.

Apart, however, from these broad classes of income, there was no insuperable difficulty in applying a uniform basis for the assessment of the tax. Whether earned or unearned, what could be simpler than to require every taxpayer, immediately after the termination of his trading or other year of accounting, to declare the sources and amount of his income under each head for that year? Some time must elapse before the work of preparing the assessments from the information furnished by taxpayers can be completed; but when that work has been performed they are at once faced with the bill for the tax due. How different from the old system where under a three years' average assessment the profits earned in, say, the year ended December 31st, 1922, were brought into the computation of the tax payable on January 1st and July 1st, 1926.

The Finance Act, 1926, then, was the first Act in which a large part of the reforms suggested by the Royal Commission was put into force. The amendments in the basis of assessment are contained in a separate part of the Act, viz, Part IV, which it was enacted in sect. 37 (2) was not to come into force until the following financial year, so as to give both the taxpayer and those who had to administer the Act an opportunity of familiarising themselves with its provisions, and the latter, at any rate, time to make suitable arrangements for coping with the extra work which the changes proposed were bound at first to entail.

I will now pass on to a brief review of the principal sections of this Act.

FINANCE ACT, 1926.

Sect. 28 provides for the transfer of certain assessments from Schedule A to Schedule D. The transfer was more one of form than of substance, as these properties had previously been charged by reference to the profits earned, and not to their annual value in the narrower meaning of that term.

The transfer was completed by the repeal in the 5th Schedule of the following words in the Rule applicable to Case I, Schedule D, "other than a trade relating to lands, tenements, hereditaments or heritages directed to be charged under Schedule A."

BASIS OF ASSESSMENT, SCHEDULE D.

Sect. 29 is perhaps the most important of all recent provisions respecting the basis of assessment of profits or income falling within Schedule D. The same basis now applies to the first five of the six cases into which Schedule D is divided, viz, the income of the year preceding the year of assessment.

The remaining case—No. VI—is the one that applies to all profits or income not falling within the preceding five cases of Schedule D, or charged under any other Schedule. In view of its omnibus character it was, no doubt, difficult to lay down any hard and fast rules for the assessment of profits of such an uncertain character. All sub-sect. (2) enacts, therefore, is that the Commissioners responsible for making the assessment shall not estimate the profits by reference to a period in excess of one year. In other words, they are at liberty to take either the income of the current or the preceding year, as may be considered most expedient or equitable. If the income is likely to recur fairly regularly year after year, there would seem to be no valid objection to the adoption of the preceding year's basis, as in the case of all other income chargeable under Schedule D; but if, on the other hand, the income is of a spasmodic character, and the taxpayer cannot predicate that any such income will accrue to him as a matter of course, the alternative basis would appear to be the more suitable. Take, for instance, the case of a person who has furnished a house for the express purpose of letting it. Except in the unlikely contingency that the house will remain empty for the whole of a consecutive period of twelve months coinciding with the financial year ending April 5th, income from letting it furnished will arise every year as long as the source lasts. It would be a convenience to all parties, I suggest, that this regular income should be assessed on the profits earned in the year preceding the year of assessment. Suppose, however, the income to be assessed were commission received for services rendered in guaranteeing a bank overdraft, such as formed the subject of assessment in the High Court case of *Ryall v. Hoare*, or for performing some other services of an exceptional character, it would be preferable

to wait until the end of the year of assessment in order to ascertain whether any such income has been received and, if so, its amount, before attempting to raise an assessment.

NEW TRADES, PROFESSIONS, &c.

To revert, however, to sub-sect. (1), there is a most important proviso which deals with new businesses or professions, and their treatment in the year following that in which they were commenced or set up. Before dealing with this proviso I must go back to the charging section which is concerned with the normal case, and not with any exceptions. That is found in the Rule applicable to Case I, and was as follows in the Income Tax Act, 1918:—

"The tax . . . shall be computed on the full amount of the balance of the profits and gains upon a fair and just average of three years ending on that day of the year immediately preceding the year of assessment on which the accounts of the said trade have been usually made up, or on the 5th day of April preceding the year of assessment."

A similar Rule made the three years' average apply to Case II.

These Rules were amended by sect. 29 (1), Finance Act, 1926, which substitutes the profit of the year preceding the year of assessment for the average profit of the three years. The exceptional cases are provided for in Rule 1 (2) of the Rules applicable to Cases I and II, and they fall into two classes, viz, cases where the business was set up and commenced within the year preceding the year of assessment, and those set up within the year of assessment itself.

So far as regards the liability for the year in which the trade, &c., is commenced, there is no change. The Rules of Case VI govern the computation, and the particular Rule of Case VI with which we are concerned is Rule No. 2.

This Rule was not altered by the Finance Act, 1926, except to provide that where an average is taken it must not be an average of a period greater than one year.

In practice, the actual income earned in the period from the commencement of the trade to the following April 5th forms the normal basis of assessment. This will usually be derived from accounts covering that period. To take a simple illustration: Suppose a business was started on July 1st, 1928, and made up the first accounts for a complete year to June 30th, 1929, the liability for 1928-29 is clearly three-fourths of the total profit of the year to June 30th, 1929. But what would be the position if accounts were made up to December 31st, 1928, and December 31st, 1929? Is it permissible to compute the liability for 1928-29 solely by reference to the profits of the first six months, expanding them by a simple rule of three sum to cover the period of nine months to March 1st, 1929? In other words, can we take the average of the profits of those six months as the full measure of the liability for the financial year 1928-29?

The answer to these questions depends on the meaning of the word "average," and it was only recently that any clear judicial pronouncement was made regarding the true construction to be put upon that word. We were all so much imbued with the idea underlying the normal case, i.e., the average of the three preceding years, that we felt some little hesitation in admitting the possibility that if it could have any application where the profits of at least one complete year were not known.

The Master of the Rolls, for instance, when giving judgment in the case of *Betts v. Clare & Hepworth*, said

in April, 1926, "the word 'average' appears to indicate a period longer than that for which the assessment is to be made." Lord Atkinson, however, when delivering his judgment in the House of Lords in the same case, interpreted it to mean nothing more than the rate of profit earned, and Lord Wrenbury took much the same view when he declared that the meaning is "that the average of the weekly or monthly profits . . . is the average to be computed," and that "this average sum is to be attributed to the whole of 'one year,' i.e., the year of assessment."

As in that case the Crown were contending that the average should be computed by reference to the profits of the first two sets of accounts which covered a period of thirteen months, and the House of Lords unanimously rejected the Crown's contention, it has now been conclusively laid down that an average assessment can be arrived at from profits for a period of less than a year.

I think, moreover, it might have been deduced from the wording of Rule 2, Case VI, that the Act of 1842 contemplated that an average might be struck from the results shown by accounts which cover a period of less than twelve months.

It can, of course, also be computed from a longer period, and there are cases in which I see no option, even now, but to take an average of a period greater than a year, notwithstanding the obvious intention of the framers of the Finance Act, 1926, to limit the computation of liability under Schedule D in all cases to the profits of not more than the one year preceding the year of assessment.

As regards the second year of assessment, the basis of liability is the profit for one year from the date of the first setting up of the business. This is usually read as meaning the actual profit for the first twelve months of trading. If the first accounts cover an exact twelve months, the liability will be ascertainable direct from those accounts. If the first accounts cover a period of less than a year, then it will be necessary to wait for the following accounts and add a proportion of the profits shown by the latter to those disclosed by the former. If, on the other hand, the first accounts cover a period greater than a year, the liability will be ascertained by a simple proportion sum; for instance, four-fifths of the total profits of the first fifteen months. In the last case you will notice that the computation is equivalent to ascertaining an annual average of the profits of a period greater than a year. Although it may be unusual in the case of a new concern to allow more than twelve months to elapse without preparing any accounts, there may well be cases where that period is exceeded. Take, for instance, the case of a business started on March 1st in any year. The proprietor might decide that March 31st would be a more suitable date for taking stock than February 28th, and have his first accounts prepared for the thirteen months to the following March 31st. In such a case I think there is no doubt that the Commissioners would not reject the accounts, but would take one-thirteenth of the profit as the liability for the first year of assessment, and twelve-thirteenths as that of the second year.

So much for the question of the liability in the second year of assessment. What about that for the following, i.e., the third year of assessment? If accounts have been prepared for a period of twelve months ended in the year preceding the year of assessment, there is no difficulty at all. The case is clearly covered by sect. 34 (1) (a) Finance Act, 1926, and the assessment must be based on the profits of that period. It may be, however, that only

one period of trading will have been completed prior to the commencement of the third year of assessment. Assume, for example, that a business was commenced on November 16th, 1927, and accounts were made up to September 30th in each year thereafter. The concern is liable to assessment from 1927-28 inclusive, and the third year of assessment is 1929-30. What is the basis on which the liability for the third year is to be assessed? The answer is the profit of the preceding year. But there is only one accounting period ended on a date prior to April 6th, 1929, viz, the period of ten-and-a-half months from November 16th, 1927, to September 30th, 1928.

At first sight it might be thought that, as no accounts for a period of one year were made up to a date within the preceding year of assessment, it is a case for the decision of the Commissioners of Inland Revenue under sect. 34 (1) (b) Finance Act, 1926. That section, however, only applies "where it has been customary to make up accounts," and in the case in question it can hardly be said to have been customary to make up accounts where only one set of accounts has been prepared. This question has already been the subject of a test case, and both the Special Commissioners and Mr. Justice Rowlatt in the King's Bench Division upheld the contention of the taxpayer, who claimed to be assessed on the profit of the year ended April 5th immediately preceding the third year of assessment for which he was liable.

TRANSITIONAL RELIEF.

Sect. 29 (3) has now no great interest for us, as the time limit in which it could be invoked has long passed. But cases of change in the ownership of a business, after sect. 29 (3) has been invoked, may give rise to some doubt, and before leaving this section it would perhaps be as well to make the point clear. If the change took place in the financial year 1927-28, the assessment for that year, made on the predecessor, would be apportioned in the usual way under Rule 9 of the Rules applicable to Cases I and II, Schedule D; and it would be open to the successor to claim relief under the old Rule XI. In the following year the assessment would, of course, fail to be made direct on the successor, and as the provisions of sect. 29 (3) are inapplicable in his case, it must be made in accordance with the general rule, i.e., on the profit of the year preceding the year of assessment. Now suppose for 1927-28, the successor had obtained an adjustment of his liability under Rule XI, he has a further option, and can require that the liability for 1928-29 should be computed as though he had set up a new business at the date in the preceding year on which he succeeded to the business. The effect is best seen by a concrete illustration.

B. is a tailor who had an old-established business, and was assessed for 1927-28 on £2,000, based on the average profits earned in the three years ended December 31st, 1924, 1925 and 1926, viz:—

1924	£1,000	} £6,000 3 = £2,000
1925	..	..	..	2,500
1926	..	..	..	2,500

In 1924 he had a serious illness, and now finds the strain too much for him, and decides to retire. He discovers a purchaser, C, who takes over the business as a going concern as from June 30th, 1927, and proposes to have his accounts in future prepared annually up to the new date. The accounts for the year to June 30th, 1928, show a profit of £1,500, and the successor proves that the decrease in the profits is due to the loss of the vendor's personality.

He, accordingly, claims an adjustment of his liability for 1927-28 from £1,500 (three-quarters of £2,000) to £1,125 (three-quarters of £1,500), and to be treated as having set up a new business at July 1st, 1927, for the purpose of computing the liability for 1928-29. The assessment will thus fall to be made by reference to the successor's profits for the year from July 1st, 1927, to June 30th, 1928, i.e., £1,500. To take the matter one stage further, the profit for the year June 30th, 1929, is found to be only £1,200, and the benefit of sect. 29 (1) (a) is accordingly claimed, with the result that the assessment of £1,500 will be reduced to the actual profits of the year of assessment, arrived at by splitting the accounts on a time basis, viz:—

Three months to June 30th, 1928 .. $\frac{1}{4} \times 1,500 = \text{£}375$

Nine months to March 31st, 1929 .. $\frac{3}{4} \times 1,200 = \text{£}900$

Total £1,275

The last-mentioned relief must be claimed within the twelve months from the end of the year of assessment to which it is intended to apply.

If the change of ownership took place within the year 1928-29, the second of the two years affected by sect. 29 (3), the new Rule XI will come into play, and this will operate to prevent the successor from obtaining any part of the relief which was intended to be for the benefit solely of the predecessor. In this illustration I have assumed that there has been a complete change of ownership, and not a partial change only. I will deal with the question of partial changes in proprietorship when I come to sect. 32.

UNTAXED INTEREST.

Sect. 30 added a refinement to the rules laid down in sect. 17, Finance Act, 1922, for assessing untaxed interest under Case III, Schedule D. It provides, in effect, that where a person adds to the source, or ceases to possess part or the whole of the source of the income assessed, then in respect of the additional source or the source disposed of the commencing or ceasing provisions are to apply. For instance, a person holds £1,000 5 per cent. War Loan on April 6th, 1926, and purchases a further holding of £1,000 on August 1st, 1929. But for proviso (ii) to this section, the liability for 1929-30 would be £50, the income of the year ended April 5th, 1929, and for 1930-31, £75, the income of the year to April 5th, 1930. But now the liability has to be computed as regards the first £1,000 holding on the usual basis, i.e., £50 each year, as that holding has been held continuously throughout; and in respect of the new holding the liability is to be determined as though the other holding did not exist. In that case, the liability for 1929-30 under sect. 17, Finance Act, 1922, would be £25, i.e., the income arising in the first year. For 1930-31, as the income arose after April 6th in the year preceding the year of assessment the liability is the income of the current year, viz, £50. If you add these figures together you will get a total liability of £75 for 1929-30, and £100 for 1930-31.

Proviso (i) deals with the converse case. Here, again, the income from the separate holdings must be computed separately, the normal preceding year's basis being applied to that from the holding retained, and the provisions relating to discontinued trades being put into effect as regards the holding disposed of. In other words, you adjust, in the latter computation, by substituting the actual interest in the year of cessation for the interest received in the previous year.

Having computed the interest for the separate holdings in the manner directed, the figures must be added together as under proviso (ii) to arrive at the total liability.

TRADES, &c., DISCONTINUED.

Sect. 31 provides the relief which I have just mentioned as applying in the case of a discontinued trade, profession, or vocation. In the year of cessation, the assessment, which will normally have been made on the profits of the previous year, will fall to be adjusted to the actual profits earned in the period from April 6th to the final date. For the purpose of this adjustment, it will be necessary for the taxpayer to produce evidence of those profits. Where he has been in the habit of furnishing accounts for the purpose of agreeing the liability with the Inspector, he will, as a rule, be required to have his accounts prepared and rendered for the period from the end of the last full trading year up to the date of discontinuance of the trade, &c.

For instance, Mr. Jones has a grocery business, and has regularly made up his accounts to December 31st, the last complete set being prepared for the year to December 31st, 1928. Along comes the representative of a big London store with an envious eye on his premises and makes a tempting offer for the same, which Mr. Jones cannot resist. He decides to sell and clear out on September 30th, 1929, and instructs his accountant to prepare his accounts up to that date, and sees the Inspector with a view to the adjustment of his liability for 1929-30. The assessment is £1,600, based on the profit of the calendar year 1928. The accounts for the nine months to September 30th, 1929, disclose an adjusted profit of £900.

The liability for 1929-30 will be reduced from £1,600 to £600, that is, to the proportion of the profit of £900 applicable to the six months from April to September, 1929. That adjustment does not necessarily dispose of the whole of his liability, assuming that he has already paid the duty assessed for all preceding years. Subsect. (b) has to be taken into consideration, and the Inspector will review the figures to see whether Mr. Jones obtained any advantage in 1928-29 through being assessed on a notional basis instead of on the actual profits enjoyed. In this case he finds that the assessment for 1928-29 was in the sum of £1,000—the profits of the calendar year 1927. The actual profits were £1,500, being three-fourths of the profit of the calendar year 1928, i.e., £1,200, and one-third of the profits of the nine months from January 1st to September 30th, 1929, i.e., £300.

An additional assessment will accordingly be required in the sum of £500. If this review showed that the actual profit of the financial year 1928-29 was less than the assessment, Mr. Jones would obtain no relief for that year. This provision is, however, not quite so one-sided as it might at first appear to be; it is merely the converse of the provision in sect. 29 (1) (a) under which the taxpayer has the option of requiring the assessment in the year after he commences business to be adjusted from the notional profits to the actual profit. Just as the Crown cannot adjust upwards in the case of a commencing business, so the subject cannot adjust downwards in the case of a ceasing business.

NEW RULE XI.

Sect. 32 introduces another important, and speaking from the official point of view, a welcome change from the old provisions, and eliminates that fruitful source of doubt and difficulty—a specific cause. The old Rule XI often gave rise to trouble owing to the divergence of view between the Revenue Authorities and taxpayers as to what constituted a specific cause for the falling off of profits. The new Rule XI is in two parts. The first

part relates to trades, &c., carried on in partnership either before or after the change. In those cases, the preceding year's basis will continue to apply unless all the parties concerned in the business both immediately before and immediately after the change require the basis to be altered. They are only given three months from the date of change in which to make up their minds whether or not it will be to their advantage to have the basis changed, and there will, as a rule, be little to guide them in coming to a decision. The difficulty in reconciling conflicting interests will also, I imagine, be another stumbling block in the way, and lead to the option being infrequently exercised. But if it is exercised, the trade will be treated as though it had definitely ceased at the date of the change, and a new trade had been commenced at the same time. The second part of the rule deals with all changes in ownership of a trade, &c., other than those covered by the first part, i.e., where there is a complete change in ownership, and not a partial change only. It embraces such changes as those resulting from the formation of a company to take over an existing business, or the death of a husband whose business is continued by his widow. In all such cases, the successor will be deemed to have set up a new business, and the predecessor to have discontinued his business at the date of the change. The effect, so far as the successor is concerned, will be that he will be charged to tax solely by reference to his own profits, and not by reference to the profits made by somebody else. There is consequently, no need for any relieving provision such as the legislature has always felt was required where an assessment on, say, Mr. B., was based to any extent on profits made by, say, Mr. A.

CARRYING FORWARD LOSSES.

Sect. 33 embodies the recommendation of the Royal Commission on the subject of losses sustained in trades, and provides that such losses shall be carried forward and set off against future profits. Under the three years' average system little need was felt for a provision of this character, as it was only in quite the exceptional case that over a period of three consecutive years, there was an absolute loss. (That remark, by the way, does not apply to farmers, many of whom appear to make losses and thrive on them for many years in succession.) Still, there were cases where the average resulted in a minus quantity, and if sect. 34 did not succeed in turning the minus into a plus figure, the taxpayer suffered a certain amount of loss in respect of which he could obtain no relief against future profits. Now that he is assessable on a single year basis he would have no set-off at all of losses against future profits unless a specific provision for that purpose were made. So it is enacted that, within certain limitations, he may carry forward a loss sustained in any trade, &c., so far as he has not obtained relief in respect of that loss under any of the other relieving provisions in the Acts, such as sect. 34 or Rule 13 of the Rules applicable to Cases I and II, Schedule D, and set it off against the assessments for the following six years. The loss must, as far as possible, be set off against the first profits brought into assessment subsequently. The taxpayer cannot select any one of the six years and require the loss to be set off against the profit of that year.

In determining the amount of the profits and gains on which a person is assessed, the wear and tear due for the year of assessment, including any wear and tear carried forward from previous years, must be first of all deducted from the assessable profit. This follows, I think, from Rule 6 of the Rules applicable to Cases I and II, which requires the deduction for wear and tear to be made "in charging the profits" under Schedule D.

Sect. 33 provides for the losses to be deducted from or set off against "the amount of profits or gains . . . assessed under Schedule D." The liability for the current year must, I submit, be determined in the usual manner before it is possible to ascertain whether there is any assessment from which the relief can be granted, as required by sub-sect. (3).

In the case of a loss sustained by a partner in a partnership, his share of the net assessment on the firm for one or more of the following six years—as the case may require—will need to be computed in the same manner as it is for the purpose of entering his income from the firm on his individual statement of total income. His share of the loss sustained is personal to him and can only be set off against his share of the profits from the same business as that in which the loss was incurred. In the case, therefore, of the death or retirement of a partner, any loss or balance of loss sustained by him which cannot be set off against his share of the assessment for the succeeding years, or the period up to the date of his death or retirement, will cease to be carried forward.

The first financial year to which this section applies is the year 1927-28, and the first loss that will be available for carrying forward is that sustained in the previous year, i.e., in the year 1926-27, or the trader's year which corresponds to it.

PERIOD OF COMPUTATION.

Sect. 34 provides the machinery for determining the period of 12 months which is to be taken as the year preceding the year of assessment. Before considering the effect of this section, it will be useful to contrast the wording with the phrase employed in the Rule applicable to Case I, Schedule D, as it stood before the Finance Act, 1926, was passed.

When computing the average liability for years prior to 1927-28 regard had to be paid to the date on which accounts had been "usually made up." The practice of the Inland Revenue Department in cases where a change of accounting date took place was to regard the old date as the usual date until accounts had been prepared for two consecutive periods ending on another date. For instance, a taxpayer had regularly prepared his accounts to March 31st in each year up to and including the year 1924, but decided in that year to change his accounting date to December 31st. He accordingly had his accounts drawn up for nine months to December 31st, 1924, and for subsequent periods of twelve months. The liability for 1925-26 would have been based on the profits of the three years to March 31st, 1925, although accounts were not available for the exact period required, and not the three years to December 31st, 1924, the last date for which accounts were available. Prior to 1926-27, however, he had prepared two sets of accounts which were made up to December 31st, and this date had become more usual than March 31st, if regard were paid only to the three preceding years by reference to which the liability for 1926-27 had to be determined. Less violence was done to the ordinary meaning of the word, at any rate, by admitting the change in date as being effective for Income Tax purposes where a taxpayer was able to establish the proposition that it was something more than an ephemeral variation. The change may have arisen out of a mere passing whim, or an unforeseen emergency that prevented him from performing some act, such as stocktaking, that was essential to the preparation of a balance-sheet on the usual date. What was there to prevent a taxpayer reverting to the old date, after the sequence had been broken on one occasion, if the Revenue were to admit any single change of date

as altering the "usual" date? This practice was upheld in the High Court in a recent decision (*Thos. Borthwick and Sons, Limited, v. Nolder* (K.B.D.; (1926) 11 T.C., 261).

So much for the position under the old law. Now sect. 34 does not deal with any such question as the date to which accounts have been usually made up. It merely says that, in cases "where . . . it has been customary to make up accounts," such and such a thing shall be done. It may have been customary to make up accounts for irregular periods, e.g., in the case of voyage accounts of a ship, and in that case it is provided in sub-sect. 1 (b) that the Commissioners of Inland Revenue shall determine the period of twelve months to be taken as the preceding year.

It is, I think, a question of fact for the General or Special Commissioners to decide whether or not it has been customary to make up accounts, but I suggest that similar considerations would probably weigh with them in reaching a decision as those outlined above in dealing with the date to which accounts are usually made up. The two words "usual" and "customary," I submit, are not very different. If a trader has prepared accounts for two consecutive periods, it is surely evidence of his intention to establish a custom, if he has not already done so, of preparing accounts of his trade. But the preparation of a single set of accounts can hardly be said to have established any such custom. He may have had some special reason for his action on that occasion and have no intention of repeating it. Of course, you will say, that is rather an exceptional case; but the reasoning applies, where the facts are similar, whatever may be the cause for that state of affairs. Take the case of a newly-established business. It has to prepare its first accounts, say, at the end of six, nine, or twelve months' trading. Having prepared those accounts, it cannot be said at that stage that it has been customary, in the case of that concern, to prepare accounts except by a wide stretch of the meaning of the word "customary." Sect. 34, therefore, has no application for the year 1929-30 in the case of a trade, &c., which was set up on, say, October 1st, 1927, and prepared its accounts to July 31st, 1928, and July 31st, 1929.

The question was taken to the High Court and decided in this sense in the recent case of *Dunham (Inspector of Taxes) v. Hoscoe (Malaya) Rubber Estates Limited*.

PREPARATION OF ACCOUNTS.

Another matter on which I should like to say a few words is that of "making up accounts." You will probably say that it is quite unnecessary for me to attempt to tell a body of accountants what constitutes an account or set of accounts. But for the purposes of the Income Tax Acts, it is not enough that a statement of receipts and expenses can be prepared for any period. It is probably a very simple matter to balance an ordinary set of books at any given date, but to determine the profits accurately a complete statement of all assets and liabilities at the beginning and end of the period must be available. In the normal trading concern one of the most important elements in the balance-sheet will be the stock-in-trade, and unless stock has been taken a proper balance cannot be struck. This may sound very elementary, but failure to appreciate the point has led taxpayers and their professional advisers to cross swords with the Inland Revenue Department on this question before now, though with scant success. You will remember that when dealing with the liability to Excess Profits Duty it made a great deal of difference sometimes whether the trader's usual accounting date was just before or just after August 4th 1914. If exceptionally large

profits were earned in the later part of 1913 or early part of 1914, it was much to the advantage of the taxpayer that these profits should fall within the last pre-war trade year, and not in the first accounting period. An attempt was accordingly made to induce the Revenue Authorities to admit, as accounts, statements prepared for periods ending on a date other than that to which the trader had been in the habit of making up his accounts. The stumbling block was, of course, that traders could not foresee the exceptional times in store for them or the exceptional character of the taxation that had to be devised to meet the urgent financial needs of the nation in those times. They had, therefore, not done the one thing necessary to enable complete accounts to be drawn up, viz, to take stock, and the Commissioners who heard the appeals came to the conclusion that, without the correct value of the stock at the beginning and end of the period, the accounts could not show the true profit (*James Cycle Company Limited v. Commissioners of Inland Revenue* (C.A.; (1919) 12 T.C., 98 (E.P.)), and *John Marston Limited v. Commissioners of Inland Revenue* (K.B.D.; (1919) 12 T.C., 106 (E.P.)).

APPORTIONMENT OF PROFITS.

Sect. 35 is another machinery section, and authorises the division of profits shown by accounts where that course is necessary. Any such apportionment must be on a time basis, but the section does not bind the General Commissioners when they are proceeding under Rule 9 of the Rules applicable to Cases I and II. In that case, they are required to "adjust the assessment by charging the successor with a fair proportion thereof from the time of his succeeding to the trade, and relieving the person originally charged from a like amount." If the trade were a seasonal one, the division of the assessment in proportion to the number of months before and after the change would not necessarily result in a fair apportionment as between the predecessor and successor.

ADDRESS ON THE COMPANIES ACT, 1929.

A joint meeting of London members of the Chartered Institute of Secretaries and of the Society of Incorporated Accountants and Auditors was held at Incorporated Accountants' Hall on March 18th, when the chair was taken by Brig.-General Arthur Maxwell, C.B., D.S.O., Past President of the Chartered Institute of Secretaries. General Maxwell was supported by Colonel William Parker, D.S.O., President of the Chartered Institute of Secretaries, Mr. F. Gurdon Palin, Treasurer of the Institute, and Mr. W. H. Stentiford, Past President of the Institute; also by Mr. Henry Morgan, President of the Society of Incorporated Accountants and Auditors; Mr. Thomas Keens, Past President of the Society, and others.

An address was given by Mr. Lionel Cohen, K.C., on "The Companies Act, 1929," which was followed with much interest by all those present. On the motion of Mr. Thomas Keens, a hearty vote of thanks was accorded to Mr. Lionel Cohen for his address, and on the motion of Mr. Henry Morgan, a vote of thanks was passed to General Maxwell for his conduct in the chair.

Mr. A. H. Edwards, Incorporated Accountant, has been placed on the Commission of the Peace for the Borough of Dorchester. His father, Mr. A. R. Edwards, F.S.A.A., has been a Justice of the Peace of the same borough for the last eighteen years, and we imagine that it is almost a record for a father and son, partners in the same firm, to be magistrates on the same Commission. We tender them our congratulations.

Swansea and South-West Wales District Society of Incorporated Accountants.

ANNUAL DINNER.

The Swansea and South-West Wales District Society of Incorporated Accountants held its annual dinner at Swansea on March 7th. Mr. H. EDWARDS, F.S.A.A. (President, Swansea and South-West Wales District Society), was in the chair, and amongst those present were the Mayor of Swansea (Councillor T. A. Lovell, J.P.), Mr. E. Cassleton Elliott, London (Vice-President of the Society of Incorporated Accountants and Auditors), the Mayor of Llanely (Councillor Morgan Morgan, J.P.), Mr. F. A. Rees (President, Chamber of Commerce), Mr. R. Wilson Bartlett, J.P., Newport (Member of Council of the Society), Mr. Percy H. Walker, Cardiff (President, South Wales and Monmouthshire District Society), Mr. W. J. Pallow, Cardiff (Vice-President, South Wales and Monmouthshire District Society), Professor A. E. Heath (Swansea University College), Mr. Frank C. Bevan (representing the Institute of Chartered Accountants), and Mr. D. Seline (representing the Incorporated Law Society).

Mr. F. A. REES (President of the Chamber of Commerce), in proposing the toast of "Trade and Industry," said he considered that the element of uncertainty in the coal trade since 1922 was almost as much responsible as actual stoppages for the present position of the industry. While welcoming the Bank of England's action in bringing the bank rate down to a "reasonable" level and hoping that this would be followed by greater stability in the rate, Mr. Rees went on to criticise the bank's attitude to new enterprise. It was curious that at boom periods, when it was too late to embark upon commercial enterprise, the bankers were far more ready to assist trade generally than at periods such as the present, which to the ordinary business mind seemed the opportune time for venture at the least risk. He protested, too, against the advocacy of quotas and cartel systems, whether domestic or international. He thought the advocates of such policies might well be described as the "Little Englanders of industry." We should concentrate on increased outputs, thus reducing production costs to competitive and economic levels. An armistice in production would be a retrograde step. Criticising local authorities for not curtailing expenditure, he suggested that local sources of revenue had been to some extent dried up by amalgamations, rationalisations, and the increase of multiple shops.

The Mayors of Swansea and Llanely both replied.

The MAYOR OF SWANSEA spoke of his family interest in the profession, as well as his municipal experience, and hazarded the view that local authorities were facing unavoidable new commitments that ought to have been embarked upon when times were more favourable.

Mr. D. J. CHARLES, B.A., A.S.A.A. (Llanely), proposed the toast of "The Society of Incorporated Accountants and Auditors" in the absence of Mr. W. H. Ashmole, the first Chairman of the local Society. Mr. Charles spoke wittily of the increasing recognition of the local Societies by Headquarters. "We feel at times like grown men, and justifiably so—London is rather far from Swansea," he said. They rather fancied London did not get the exact opinion of the provinces, but there was so much to be said for the Parent Society that his awe was real.

Mr. E. CASSLETON ELLIOTT (Vice-President), in responding, said that he had never been to Swansea before and, frankly and sincerely, he was glad to be there now. He had had a very warm welcome from them all. He wished his fellow accountants would follow the example of the Mayor of Llanelly, who was sitting next to him, and enter public life more than they did. He really thought they ought to do so if they had any interest in that direction, for they spoke as "men of figures" and could be of use. Mr. Charles had spoken in very flattering terms of the Parent Society, which was now a very strong Society with 5,225 members at the beginning of January. He was very glad indeed to hear that it was so strong in South-West Wales. The burning topic of the moment was registration—registration so that the public should know who really were accountants and who were not. As to the two points of view, whether the public desired it and whether the profession desired it, he held that if the public (really their clients) desired it it was up to them as accountants to see that they got it. He had no doubt that if the public fully understood the position they really would desire it. Unfortunately many did not know the difference between the qualified and the unqualified until the results were seen. There were many cases in which unqualified accountants were appointed to audit small businesses without knowing much about their job. He thought that if the case were put fairly before the public it would like to see the profession controlled by registration. That this should be in a way fair to all parties was the aim and object of the Society. As an accountant who had had the opportunity of looking into various businesses, he said that this was not the time for pessimism. They must be optimists—not foolish optimists, but they must look at things from the bright point of view. It was not the slightest use their telling their clients that things were very bad indeed. They must try to help them with constructive schemes and constructive ideas, and to do that they must be optimists first of all. Mr. Elliott referred to his experiences at the International Congress of Accountants, showing that Americans were apt to overlook the importance of the smaller businesses, and said accountants had to consider each business from an individual standpoint and not be carried away with the idea that amalgamation and reorganisation were the panacea for every ill. He was quite certain they were not. The personal element was still there and it was all the more needed in these large businesses. Often big amalgamations failed because the personal element between employers and employed had disappeared.

Mr. PERCY H. WALKER, F.S.A.A., in proposing "The Swansea and South-West Wales District Society," regretted the absence of the first President, Mr. Ashmole, and congratulated the Society in having in Mr. T. O. Morgan such an active and energetic Secretary.

The CHAIRMAN, replying, spoke of the increased importance of the Society. Because of the extension of area geographically they were now a very big Society. They would now have more work and still more if registration (in favour of which a resolution had been received from the Newport Chamber of Commerce) came to pass. Without the good work of Mr. T. O. Morgan, their friend and Secretary for many years, the Society could not have been where it was.

The company called for Mr. T. O. MORGAN, who also replied, and, in returning thanks, said it had given him the utmost pleasure to do the work.

Mr. R. A. WETHERALL, F.S.A.A., proposed "Our Guests," and Professor A. E. HEATH replied in a very amusing speech.

Cumberland & Westmorland District Society of Incorporated Accountants.

ANNUAL DINNER.

The Cumberland and Westmorland District Society of Incorporated Accountants held their annual dinner at Carlisle on March 13th. The PRESIDENT (Mr. E. LUND) presided over a representative gathering.

Mr. J. W. WHIPP (Manager, Martin's Bank) proposed the Civic toast. There were some towns, he said, whose names, when one heard them, stirred the imagination. They brought to one's mind romantic and historical associations, such as Oxford, York, Durham, and they might add Carlisle. He could say that with confidence, because not having been born in Carlisle he could not have been used to the name all his life as some of them had. When he used to hear the name of Carlisle it always brought to his mind certain vague, romantic associations that really clustered round the fact that Carlisle was not only the gateway to Scotland, but the centre of many stirring incidents in Border history.

Mr. F. G. WEBSTER (Town Clerk), replying, said he was not a native of Carlisle. He came from Liverpool, but he had no desire to go back there. He had known Carlisle long enough to realise its beauties, attractions, and advantages. The history had a very interesting record—a history which scintillated with romance, and which they saw portrayed in the pageant in 1928. They had a good City Council, and they treated their officials well—the officials had no fault to find with them. (Laughter.) In one of the earliest charters of their city reference was made to the qualifications of the different officials, which included the Mayor. The charter provided that the coroner must be a discreet man, the town clerk must be honest and discreet, but the Mayor need be neither. (Laughter.) The records of their Mayors proved, however, that they had distinguished themselves both by their honesty and discretion. (Applause.)

Mr. H. L. TOWNLEY proposed "The Accountancy Profession," and detailed some of the qualifications necessary for an accountant. There was ever-increasing work for accountants. It was not too much to say that without the aid and goodwill of accountants the present system of taxation under Schedule D would not be possible. In fact, without accountants no business of any size could succeed, and no country could hold its own without their help.

Mr. P. TOOTHILL (President of the Sheffield and District Society, and a member of the Council) replied to the toast. He advocated the registration of accountants along the lines of the law and the medical profession. After giving a history of the profession, and quoting some of the arguments for and against registration, the speaker said he was in favour of it because, for one thing, it would prevent unfair competition through advertising. Although at the outset some sacrifice would have to be made, it would ultimately be beneficial.

Mr. LUND proposed "Our Guests," and Mr. H. THOMPSON and Mr. G. E. EDMONDSON replied.

Mr. TOOTHILL proposed "The Health of the President," and Mr. LUND replied.

The Council of Legal Education announces the appointment of Mr. Clement C. Gatley, D.C.L., LL.D., Barrister-at-Law, of the Inner Temple, to be Assistant Registrar in Roman Law, Jurisprudence, International Law, and the Conflict of Laws, at the Inns of Court.

Reviews.

Incorporated Accountants' Year Book, 1930.

Published by the Society of Incorporated Accountants and Auditors at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.

This year book contains the names of 5,225 members, consisting of 1,408 Fellows, 3,813 Associates, and six honorary members, two of whom are also Fellows. The make-up of the book has been reconstructed this year. In place of the usual alphabetical index of names the first portion of the volume consists of an alphabetical list of members and firms with their addresses. This list embodies the names of all the members and the firms in which any of them are partners, the names of the firms being printed in italics. The second portion is a topographical list of members and firms, arranged in the alphabetical order of towns without regard to the part of the world in which those towns are situated. Hitherto the towns have been grouped in alphabetical order under their respective countries. The new arrangement has the advantage of easy reference without the necessity of a paged index. At the end of the book there are set out the Society's Articles and Bye-Laws, with the last Annual Report and Accounts and the Rules and Regulations of the Incorporated Accountants' Benevolent Fund. The volume constitutes a very complete record of the Society's membership, constitution, and finances.

Kinematograph Trade Accounts. By Charles H. Travis, B.A.(Com.), F.C.A. London: Gee & Co. (Publishers) Limited, 6, Kirby Street, E.C. (134 pp. Price 7s. 6d. net.)

This volume deals with the accounts of renters in connection with the cinematograph industry, and companion volumes are being issued explaining the accounts of exhibitors and producers respectively. The system, which is fully explained, has been found to work satisfactorily in many companies where it has been introduced both in relation to large and small concerns. Rulings of all the principal books are given as well as specimen entries showing how the figures lead up to the final accounts, and the author has taken some pains to make the book complete and easily understood.

Income Tax Personal Allowances. By Harry C. King, F.S.A.A. London: Gee & Co. (Publishers) Limited, 6, Kirby Street, E.C. (18 pp. Price 1s. net.)

This little pamphlet shows at a glance the Income Tax allowances which can be claimed in various circumstances and includes allowances in respect of children, dependent relatives, widows, widowers, &c.; also the allowance which can be claimed in case of death, and important points to be observed as regards time limits.

Munro's Book-keeping and Accountancy. (Tenth Edition.) By Alfred Palmer, A.S.A.A. London: Effingham Wilson, 16, Copthall Avenue, E.C. (706 pp.)

Students will find in this volume information on book-keeping of almost every description, including tabular book-keeping, the double account system, hire purchase and instalment accounts; also information as to banking, foreign exchanges, partnership and company accounts. Exercises are provided at the end of each section for the purpose of enabling the reader to test his knowledge. Many rulings of books are given with specimen entries, and the work as a whole gives evidence of care and knowledge.

Meetings. (Third Edition.) By F. D. Head, Barrister-at-Law. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C. (250 pp. Price 5s. net.)

Mr. Head is well known as a writer on procedure at meetings and other matters relating to public companies and is therefore fully competent to write on this subject with some authority. The book is divided into three parts, the first dealing with private companies, the second with the Principles of Common Law relating to meetings, and the third with meetings of public bodies. There are also several Appendices which include the Public Meeting Act, 1908, and the Statutory Regulations for Meetings of Public Bodies. Amongst the matters discussed are the Powers and Duties of the Chairman, Voting and Proxies, Meetings of Creditors and Contributors, Lawful and Unlawful Meetings, Notices of Meetings and Quorums.

Complete Practical Income Tax. (Fifth Edition.) By A. G. McBain, Chartered Accountant. London: Gee & Co. (Publishers), Limited, 6, Kirby Street, E.C. (Price 7s. 6d. net.)

This book deals in brief form with Income Tax under all the Schedules, and a feature of the book is the numerous examples given in illustration of the text. A separate chapter is devoted to claims with a table of Time Limits, and another chapter to Dominion Income Tax, while Sur Tax and the rules relating to "Residence" are fully discussed.

Changes and Remobals.

Mr. Isaac Bartfield, Incorporated Accountant, announces that he has removed from 62, Albion Street, to 91, Cookridge Street, Leeds.

Messrs. Brown, Phillips & Stewart, formerly of 87, Bishop Street, Penang, have removed to 1A, Penang Street, Penang.

Mr. W. G. Caldwell, Incorporated Accountant, has amalgamated his practice with that of Mr. T. Linton Wilson, Incorporated Accountant, and has discontinued his office at 32, Strand Street, Liverpool. The combined practice will in future be carried on at 14, Castle Street, Liverpool, and 25, Cairo Street, Warrington, under the firm name of T. L. Wilson, Caldwell & Co.

Messrs. Payne & Stirling, Incorporated Accountants, of 19, Hale Street, Ipoh, F.M.S., announce that their firm name has been changed to Payne, Davis & Co., and that Mr. W. J. Kilner, Incorporated Accountant, has been taken into partnership. The change of name applies also to the office at Kuala Lumpur, hitherto known as H. Davis & Co.

Temperance Permanent Building Society.

The general meeting of the Temperance Permanent Building Society was held recently at the Memorial Hall, London, E.C.

Mr. William Bingham, J.P., the chairman, in the course of an interesting speech, drew attention to the large expansion in the business of this well known society, which has been carrying on its work for 76 years. The sum of £906,793 was advanced on house and shop property mainly to occupying purchasers during 1929, bringing the mortgage asset up to £3,803,870.

After allowing for all withdrawals there was a net increase of £186,635 in the share capital, which amounts to the sum of £2,889,206. The total assets of the society now stand at £4,017,153, showing an increase of £247,000. £39,577 was added to the reserve fund, now amounting to £443,060, and £132,823 of this is invested in trustee securities.

Accountancy and the Problem of Management.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. W. J. BACK,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. WILLIAM STRACHAN, Incorporated Accountant.

MR. BACK said: Attention has often been called to the changes which have taken place during the last half-century, by which the ownership of industrial capital has passed out of the hands of the few who were expert in their own particular lines of business into the hands of a large number of people, the majority of whom have no technical knowledge at all. It is very obvious that accounting which was adequate for the needs of the owner-expert directing his own business is totally inadequate for the satisfaction of the absentee proprietors, and accountancy naturally developed first along the lines of giving assistance to the accounting party in his duty to give account, and of the verification of the account when stated. Such an account must be stated in a highly summarised form, as free from technicalities as possible; it must cover a reasonably long period (because the principal does not want to know what progress is being made week by week). Also, it will be proper to base it upon the transactions with outsiders, such as purchases of materials on the one side and sales of finished products on the other; ignoring internal movements between departments and processes, because any statement of the internal operations of the business will only confuse the person unfamiliar with technical processes.

But there is another problem. The cause of the change in the proprietorship, to which reference has been made, was the increase in the size of the individual trading unit, resulting from the coming of the machine age, which necessitated the sinking of large amounts of capital in plant. In order to meet this need a progressively large pooling of resources took place, calling into being such things as public issues of shares, amalgamations, holding companies, and the like, so creating very large organisations under a single control. This tendency to integration has been powerfully reinforced by the recent pressure in favour of what is known as "Rationalisation"—a movement which is the inevitable outcome of economic factors, because it is evident that (temporarily at any rate) the supply capacity of industry in England has come to exceed the demand capacity of the consumer, and this condition must either be met by an increase of demand through reductions in prices, or by a rearrangement of supply. This re-adjustment may be brought about either by conflict and the "survival of the fittest" (a process in which the "fittest" will suffer only less severely than the unfit), or by mutual arrangements on a rational basis. Anything in the nature of a mutual arrangement must bring into being a huge machine the adequate direction of which will

call for management capacity of a very high order giving close and continuous study not only to the needs of the market but to the possibilities of specialisation in production and of the stabilisation of output, as well as to economy in the means of transport; resulting in arrangements which will convert the group into a unit. In these matters even genius is dependent on data, so that at this point arises the most urgent problem of modern business. Two businesses may be conceived as starting approximately level but they will not long remain on an equality; one will soon begin to draw ahead, and the cause of this will not be inherent in the business but in the ability of the management—and "ability" is compounded of original capacity, adequate training, and efficient tools.

Recent cases of disaster, necessitating the writing-off of large amounts of capital as lost, spring to the mind, and whilst part of the so-called "loss" was merely the discovery of original inflation, it is probable that a great part of it could be traced to inefficient management; and perhaps the inefficiency consisted in an attempt to continue the old type of management, by personal control through contact with detail, under the new conditions which made these detailed contacts impossible. The machine grew until in the end it ran the executive instead of the executive running the machine.

The close consideration of continuous records constitutes the only means of control available in a great organisation. For the preparation of the records a new technique must be evolved, and with it the capacity to use the statistical tools available must be developed. Adequate records will not create a manager, but management cannot function adequately without proper and sufficient records as its tools. The vital problem of the moment is therefore not whether the accounts are adequate for the purpose of giving information to proprietors (a line on to which the discussion may easily be side-tracked), but whether they are adequate for the needs of management, and whether the management is adequate for the use of the tools with which it must work. It may be that inadequacy in these directions is the chief cause of there being no profits for which to account to the proprietors.

The pioneers of costing began a movement towards this consideration of the needs of management and made considerable progress in the direction of developing the technique necessary for the new type of management, but their successors seem sometimes to lose themselves in a quagmire of detail, and to forget that cost accounts exist for the assistance of management and not simply for the sheer joy of piling up statistics—which, indeed, may come to have no relation to anything in the world of fact.

Mr. Cutforth, in a lecture to the Chartered Institute of Secretaries, instanced the case of a hospital clerk who carefully abstracted considerable detail at which nobody ever looked. It is to be feared that this kind of thing is not peculiar to hospitals, but that a great deal of so-called "costing" never reaches the stage of being collected into any clear and concise statement which can be easily understood by the technical man who is not a cost accountant. Probably every accountant who has seen anything of

students' work in costing will confirm the view that whilst students are able to carefully describe means and processes, they rarely show any indication that they have visualised the problem of presentation—the art of so presenting the statistics collected as to carry a clear picture to the mind of the management—yet “costing” without this is a mere matter of mechanics, and not very useful mechanics at that.

Mr. Binder lectured some years ago to the Chartered Accountants on the “Art of Presentation,” dealing with reports and financial statements, but the principles which he suggested should be in mind in that work are as applicable to the statement of a cost as to anything else. He said that the person charged with the duty of preparing such a statement should ask himself two questions: first, For whom is the statement intended? and second, What is it for?

Unless in the end the accountant has succeeded in reducing the statement of complicated technical matters to simplicity (simplicity relative to the reader) by the elimination of irrelevant and unimportant detail, and so caused the main factors and tendencies to stand out clearly, he has failed altogether, however accurate the mass of figures he produces.

It is not suggested that excessive attention has been, or can be, given to the matter of accounting to proprietors, but it is suggested that the attention given has been disproportionate to the attention given to the more vital matter of accounting for management. These are two distinct objects. It is necessary to keep them distinct in the mind, and it is necessary to accomplish both objects.

With a view to illustrating the distinction just referred to it is proposed to study two specimen accounts relating (a) to manufacturing, (b) to selling. It will be agreed that these accounts are adequate for the purpose of accounting to proprietors, and the modifications necessary in order to present the facts in a manner more adequate for the needs of management will be considered.

(a) MANUFACTURING ACCOUNTS.

No. 1 is the statement of the working of a foundry. It indicates clearly the use made of the trading capital supplied by the shareholders. A foundry has been selected because it is a typical example of what is known as a “single cost” industry, and all the specialised forms of cost accounts tend to conform to this type: terminal and job costs are nothing but special applications of the single cost method; multiple costs are a series of single costs; operating costs, with the reduction to ton-mile or passenger-mile, are in principle precisely the same.

Probably anything beyond such a statement as that given would only puzzle a non-technical shareholder, and it will not be questioned that the statement submitted gives fuller information than is usually supplied in company accounts; but it is clear, on consideration, that without a great deal more information this statement is useless to the management. The balance of the profit and loss account is a mere aggregation of a series of unknowns. If there are several departments a loss in one may be masked by profits in another. There is no information as to the directions in which trade should be fostered, and no indication as to the regions in which it might profitably be abandoned to competitors; nor does it help in organising the internal economy of the works.

Information upon at least the following points will be required by the management:—

- 1.—Is there a proper quantity production in relation to the quantities of materials used?
- 2.—Has due economy been practised in regard to men's time and usage of stores?
- 3.—Is the usage of fuel satisfactory in relation to tonnage of saleable castings produced?
- 4.—What prices can profitably be accepted in future?

Suppose that on investigation the facts are found to be that “purchases” consist of:—

Materials	£13,630
Coke	1,390
Ganister, &c. .. .	555
Stores	250

£15,825

and that stocks can be similarly analysed, so that the facts can be re-stated in the form of a cost sheet (No. 2).

These are the same figures, but the usage of materials and the production of saleable castings are now both indicated, as well as the loss in weight during the operation of casting. Then there is shown the percentage of the quantity of metal (in this case 5 per cent.) on which the cost of melting was incurred without any effective saleable production resulting. This is a figure which will be closely watched by the practical people, as will also the usage of foundry coke per ton of production.

The cost of men's time per ton of production (£3 12s. 8d.) will in practice be split up to give the cost of labour in several classes, and then these particulars will be closely watched casting by casting. (It is hardly necessary to say that the actual figures given are meaningless, and are inserted only for clearness.)

Suppose that on a careful consideration by the management the conclusion is reached that this can be regarded as a normal cost, that the output is normal for the capacity of the works, and that the men have been working under normal conditions in every respect. The cost per ton indicated can then be taken as a “standard cost,” to which the cost of each separate casting may be expected to conform. Having in this way arrived at a standard cost, the management will require that at every casting an accurate record of material usage and saleable production shall be kept in similar form and compared with the standard, any variations being carefully inquired into.

One of the chief values of statistics is that of indicating a trend in any direction which, being indicated, can be looked into and, if necessary, corrected in an early stage; the comparison with the standard in the form indicated above will at once show any tendency on the part of a particular factor of production to become more costly.

It will be obvious on a moment's thought that the results of costing work must be presented in a form which will be useful to the management. The actual form will differ with the class of business and the methods of the management—in no two cases will the best form be exactly alike, the factors operating during the given period should be clearly seen, and details without significance lost. Broad results immediately available are far more valuable than more precise detail at a later date.

The preparation of these summary statements of working call for adequate technical information, and for those faculties of imagination which are sometimes regarded as alien from the accountant's profession. The accountant should be prepared to give not only information in relation to the actual method of working adopted, but also to

calculate alternative costs based on different methods of working, very much as a scientist thinks out the effects of different hypotheses.

The existence of a standard cost, on the basis of a normal output, with which a running comparison of actual costs is being made will make possible the preparation of a valuable budget. It is rather strange that in this country where the budget has been for generations—I suppose for centuries—the centre of national finance, business has been so slow to appreciate its usefulness.

The principal feature of a budget is that a careful survey is made of the anticipations in regard to a future period of determined length. The anticipated expenditure is considered and the means available to meet it, spending departments being rationed as may be necessary to balance the budget. In the application of this method to a manufacturing business it will be necessary to consider, on the basis of past experience and present trade conditions, the anticipated sales—quantities and prices; a sales estimate will be built up section by section in the light of all the known facts, the necessary factory output for the period will be calculated. That information will be of the greatest value to the buying department, indicating to it the raw materials which will be required; the cost of that output on the basis of the standard cost will be calculated, and every item of expenditure planned beforehand, arranged as may be necessary in classes and subclasses for scrutiny and consideration. As the period passes, the figures as they accumulate will be immediately compared with the anticipation in the budget, and this may be found in many cases to be a most potent engine for the control of expenditure.

(b) SELLING COSTS.

An example has been taken from a typical manufacturing industry. One may now be taken which is equally typical of the selling industry—and the central problem of modern business (and therefore the greatest interest of the modern cost accountant) is not that of manufacturing goods, but of selling them.

No. 3 is assumed to be the trading and profit and loss account of a store having three departments: china, cutlery, and furniture.

This statement affords more information than is commonly given to shareholders, but the criticisms made when considering the foundry account apply equally here. The gross profit, amounting to £43,700, is stated to be 21½ per cent. on the sales, but, again, this is nothing but an aggregation of unknowns. There are several departments, and a loss in one, needing the immediate attention of the management, may be completely covered by a profit in another. The percentage is meaningless because it is obvious that the factors taken into account in fixing a suitable rate of gross profit in the china department are quite different to those considerations which arise in the furniture department. Each department must be—in fact, is—isolated for study, and the results of each ought therefore to be stated separately for management purposes.

Suppose that one department sells grand pianos, articles which take a great deal of space, involve the locking up of substantial capital for long periods, and carry a high selling cost, because there is no crowd waiting to be attended to at the grand piano counter. Clearly there would be factors in its gross profit calculation undreamt of in the haberdashery department.

Let us suppose that in our three departments the proper rates of gross profit are decided to be respectively 15 per cent., 17½ per cent., and 40 per cent.

Stock values for a short period statement present an initial difficulty, but the general rate of profit being known

a running stock account can be maintained by working backward from the sales, and a departmental trading statement prepared in some such form as No. 4. Expenses will be apportioned to each department on the basis indicated and an approximate statement of departmental results will be available, accompanied each month by an accumulative statement giving the departmental results from the beginning of the current financial period. At the time of the annual or half-yearly stock-taking the closest investigation will be given to any material differences between the "book stocks" arrived at by the monthly calculation and the stock as recorded by the stock-takers.

The accumulative statement will also, of course, be compared closely with the periodical statement of trading prepared from the financial books of the concern. A statement comparing anticipated and realised gross profit should be submitted to the board, with any comments called for by the facts disclosed.

In a business of this kind it will be found useful to prepare at each balancing time a statement of debts relative to turnover, and of the average length of credit taken, noting whether the ratio of credit is increasing in amount or in length. Budget statements prepared in the manner already described are at least as useful in the conduct of selling businesses as in manufacturing concerns.

The item "delivery expenses" in the last financial statement dealt with should be given very close attention. If there is a fleet of lorries, the item in the account will be of little use to the management, and it is suggested that a weekly statement of the working cost of each lorry should be prepared in the form of statement No. 5. After a little experience, a standard cost per mile should be set up for each lorry, and the actual cost closely compared therewith month by month. Also the costs of the various lorries will be compared with one another, and the running costs of the same lorry when in charge of different drivers.

(c) COSTS OF HOLDING.

In addition to the cost of manufacturing and the cost of selling goods there is a third cost, frequently overlooked, the cost of holding. There are costs involved in holding stocks of raw materials, and stocks of manufactured products awaiting sale, and if, through inattention, either of these is allowed to steadily increase—a not infrequent experience—beyond the reasonable necessity of a growing business a new charge is being created which must be met before profits can be shown. This charge is often very inadequately appreciated by the management, and the burden is rarely shown up in statements prepared for their information. It is suggested that at each stocktaking a statement should be prepared of the relation of stocks of goods ready for sale to turnover and of the number of times the stock has been turned over during the trading period.

In a manufacturing business the stock of materials should be shown separately to the stock of finished goods, and in order to useful comparison quantities must be stated as well as values, or fluctuations in market quotations may mask changes in the quantities carried. The quantities of materials carried will be compared with the saleable production for the period. It will often be found useful to prepare a comparative statement of material stock with production and saleable stock with sales on the index principle; taking some selected year as a base, and indicating fluctuations of ratios therefrom. But in addition to the cost of holding stocks there is a cost of holding cash, both of holding by the business and of allowing it to be held against the business.

The importance of prompt collections of sales accounts can hardly be over-estimated. Not only does an increase in the average period of credit given involve an interest cost, but it also increases more than proportionately the risk of credit. This factor calls for consideration and statement according to the circumstances of each particular business.

The matter of cash payments and the taking of discounts available is of scarcely less importance; a little calculation will show—often to the surprise of the management—how rapidly the rate of interest on cash invested in prompt payment mounts up. If purchases are £5,000 per month, and 5 per cent. discount can be obtained for prompt cash, or, in the alternative, accounts are payable net at the end of the following month, the rate of annual return on the capital necessary to take the cash discount will astonish most people. Then, in addition, the buying advantage is always with the prompt payers.

It is suggested that it would be well worth while to mark

all invoices for cash discount, debiting the departmental accounts with the net charge and carrying the discounts to a "discounts not taken" account. Discounts as taken would be credited from the cash book to this account, and the balance shown separately in the annual financial statements as being the cost to the business of the absence of necessary finance, or of the failure to make full use of the finance available. The principle of such a practice is that departments ought to buy at the cheapest rate possible, and the cost of financial deficiencies ought not to be charged to their account.

Finally, an accurate budget will show the date and amount of cash likely to be available and the dates at which it is anticipated that these funds will be required. This will indicate a possible margin of available moneys which can be temporarily used to earn interest. Accruing profits during the year, represented by cash which will ultimately be used to pay dividends, can thus be employed to increase the fund available for distribution.

No. 1. TRADING AND PROFIT AND LOSS ACCOUNT for the Year ended.....

DR.				Cr.			
To Stock at beginning	..	..	£ 1,215	By Sales	..	..	£ 39,110
„ Purchases	..	..	15,825	„ Stock, at end	..	..	1,270
„ Carriage	..	..	1,175				
„ Wages	..	..	7,150				
„ Power and Light	..	..	950				
„ Repairs	..	..	1,450				
„ Rent, Rates, &c.	..	..	1,050				
„ Salaries	..	..	2,500				
„ Sundry Trade Expenses	..	..	750				
„ Travellers' Salaries and Expenses	..	..	2,000				
„ Balance—Profit	..	..	6,315				
			<u>£40,380</u>				<u>£40,380</u>

No. 2. COST SHEET. For the Year ended.....

Saleable Castings Produced 1,968 Tons.
Average Price Realised £20 per Ton = £39,360.

			USAGE.	COST.	COST PER TON OF CASTINGS PRODUCED.
				£	£ s. d.
Pig Iron	..	58%	1,255 tons	9,230	4 13 10
Scrap Iron	..	42%	917		
Less: Wasters and scrap recovered	.. 5%		100	4,200	2 2 8
			2,072 „		
Loss in weight	.. 5%		104 „		
			<u>1,968 „</u>		
Sundry Materials	..	..	..	350	3 7
Foundry Coke	..	..	689 tons	1,440	14 8
Wages	..	..	..	7,150	3 12 8
Ganister, Sand, &c.	..	..	..	550	5 7
Stores	..	..	..	250	2 6
Freight	..	..	..	750	7 8
Power, &c.	..	..	..	950	9 8
Repairs and Depreciation	..	..	..	1,450	14 9
Rent, Rates, &c.	..	..	..	1,050	10 7
Overhead Charges	..	..	..	3,250	1 13 0
Selling and Delivery Expenses	..	..	..	2,425	1 4 8
				<u>£33,045</u>	<u>£16 15 10</u>
Profit	..	..	..	6,815	8 4 2
(Coke usage : 7 cwts. per ton of production) ..				<u>£39,360</u>	<u>£20 0 0</u>

No. 3. DEPARTMENT STORE.—Trading and Profit and Loss Account.
Dr. For the Year ended.....

Cr.

				£					£
To Stock at beginning	..	..	..	12,000	By Sales	..	..	..	203,700
" Purchases	..	..	..	150,000	" Stock, at end	..	..	..	11,500
" Carriage	..	..	..	9,500					
" Gross Profit, carried down	..	21½%		43,700					
				<u>£215,000</u>					<u>£215,200</u>
To Salaries and Wages	..	..	..	15,000	By Balance b/d.	..	..	..	43,700
" Delivery Expenses	..	..	..	3,750					
" Advertising	..	..	..	5,000					
" Rent and Rates	..	..	..	3,000					
" General Expenses	..	..	..	3,000					
" Nett Profit—c/d.	..	..	..	13,950					
				<u>£43,700</u>					<u>£43,700</u>
					By Balance b/d.	..	..	..	£13,950

No. 4. DEPARTMENT STORE.—Monthly Trading Statement. Month ended.....

	CHINA.	CUTLERY.	FURNITURE.	TOTAL.
	£	£	£	£
Sales for Month	7,086	9,118	4,166	20,370
Less: Profit added	15% 1,062	17½% 1,596	40% 1,666	4,324
Cost of Goods sold	£6,024	£7,522	£2,500	£16,046
Profit for Month b/d.	1,062	1,596	1,666	4,324
Less: Carriage Inward	200	250	175	625
Gross Profit	£862	£1,346	£1,491	£3,699

Less:

WAGES—Departmental—as paid.

Other Wages and Salaries apportioned on turnover basis.

DELIVERY COSTS—Charged against each department on a conventional basis.

ADVERTISING—Actual cost of departmental advertising, plus an appropriate allocation from general advertising cost.

RENT AND RATES—Allocation on basis of floor-space. Adjusted by position, &c.

GENERAL EXPENSES—Allocation on turnover basis.

No. 5. DELIVERY COSTS.—Weekly Statement.

NAME.	No.	TOTAL.	COST PER MILE, Pence.	STANDARD COST.
		£ s. d.		
Wages	..	4 5 0	2.55	
Repairs	..	2 0 0	1.20	
Depreciation	..	2 10 0	1.50	
Tyres	..	1 5 0	0.75	
Petrol	..	1 19 6	1.20	
Oil and Stores	..	1 0 6	0.60	
Insurance	..	8 6	0.25	
Licence	..	1 0 0	0.60	
GARAGE CHARGES:				
Wages	..	8 6	0.25	
Rent, &c.	..	12 6	0.37	
		<u>£15 9 6</u>		
Miles Run	..	<u>400</u>		
Cost per Mile	..		9.27	

District Societies of Incorporated Accountants.

MANCHESTER.

ANNUAL MEETING.

The 44th annual meeting of the Manchester and District Society of Incorporated Accountants was held at Manchester on March 11th, the President (Mr. Jas. A. Hulme, F.S.A.A.) occupying the chair.

Before proceeding to the business of the meeting, the President referred to the loss that had been sustained in the recent death of Mr. Thomas Silvey, and his services to the Society.

The President reviewed the work of the Society during the past year, dealing in detail with its various activities, after which the report and financial statement for the year ended December 31st, 1929, were approved and adopted.

In the discussion on the report, reference had been made to the small use that was made of the Library, and on the motion of Mr. Malcolm E. Hose, it was resolved "That the Library be brought up to date."

ELECTION OF OFFICERS.

No further nominations having been received, the following officers were elected for the ensuing year:—President, Mr. Jas. A. Hulme; Vice-President, Mr. Joseph Turner; Hon. Treasurer, Mr. W. Nicklin.

On the motion of Mr. William Eaves, seconded by Mr. W. S. Williamson, a vote of thanks was accorded to Mr. Hulme, Mr. Turner and Mr. Nicklin for their services during the past year.

Committee: Mr. Albert Chadwick, Mr. William Eaves, Mr. Fred Hargreaves, Mr. Robert Heatley, Mr. T. W. Sowerbutts, Mr. Henry Smith and Mr. J. H. Burton.

Auditors: Mr. Clifford Wardle (Associate) and Mr. Norman A. Hulme (Student).

Resolutions were passed to effect alterations in the rules necessitated by the coming into operation of the District Societies Scheme.

The President submitted to the meeting an outline of a scheme to bring the Members into closer contact with each other and to secure increased interest in the Society, and attendance at its meetings. He suggested that a number of volunteers should undertake to keep in touch with a group of selected names so as to secure these objects. Several members intimated that they would give such help. The President also referred to the desirability of student members of the Society taking fuller interest in the work of the Student Section, and intimated that he would like to meet the students to discuss the matter.

A vote of thanks to Mr. Hulme for his services in the chair brought the proceedings to a close.

Report.

The following are extracts from the report which was submitted at the meeting:—

The Committee present to the members of the Society a report of the several matters that have engaged their attention, and of the activities of the Society during the year 1929.

Since the last meeting the general Committee have met on four occasions, while there have been several meetings of the sub-committees.

It is with deep regret your Committee record the death, on January 22nd, 1930, of their colleague, Mr. Thomas Silvey. They desire to place on record their high appreciation of his worth and his valued services to the Society over a long number of years. Mr. Silvey was an ex-President of the Society, having served in that office during the difficult war years 1915-1919. At the time of his death Mr. Silvey was a representative of the Society on the Manchester Chamber of Commerce. Mr. Silvey was a Freemason, had a variety of useful activities in the city, was prominently associated with the Moss Side Baptist Church, and was greatly interested in religious, social, charitable, and political work. A donation, "In Memoriam, Thomas Silvey," has been sent to the Incorporated Accountants' Benevolent Fund.

The outstanding feature of the year, though not directly concerning the District Society, was the opening of the Incorporated Accountants' Hall, London, the magnificent headquarters of the Parent Society, by H.R.H. The Duke of York, on February 19th, 1929. Members of your own as well as of other District Societies were present, and the proceedings were extensively reported throughout the country.

An excellent oil painting, by John A. A. Berrie, of Mr. Frederic Walmsley, our esteemed senior colleague, has been hung, with that of other Past Presidents of the Parent Society, in the Hall. The Manchester Society may also be said to be represented by paintings of other Presidents of the Parent Society who had been Presidents of our own District Society—the late Mr. J. Shaw Green and Mr. Harry Lloyd Price.

The operation of the District Societies Scheme is shown by a reference to the Treasurer's Statement of Receipts and Payments and to the membership figures. The year commenced with a roll of 117 practising and 66 non-practising members—total 183, and 42 members of the Students' Section.

The figures at December 31st, 1929, were:—

Practising and non-practising members (an increase of 97)	280
Student members (an increase of 37)	123
Giving a total in combined sections of	403

There are in the district approximately 120 other members of the Parent Society who have not yet availed themselves of their right to become members of the Manchester Society.

The Annual Dinner of the Society was held in the Midland Hotel, on Monday, October 21st, 1929. A report of the proceedings is contained in the *Incorporated Accountants' Journal* of November, 1929.

A Conference of Representatives of Branches and District Societies was held in London on July 23rd, and attended by your President, Mr. Hulme, as representative of the Manchester Society, Mr. Piggott being present as a member of the Council. There was a lengthy agenda dealing with a variety of subjects of special interest to the District Societies, and in particular with the working of the District Societies Scheme and the allocation of areas.

MEETINGS.

The following meetings were held during the latter part of the Session 1928-29 and the earlier part of the 1929-30 Session :—

1929.
Jan. 18th. Income Tax Papers and Discussion by members.
Feb. 15th. "Valuations of Machinery and Industrial Properties for Financial, Insurance and Rating Purposes," by Mr. G. F. Singleton.
March 20th. "Case Law as affecting Secretaries and Accountants," by Mr. Neville J. Laski, Barrister-at-Law.
Nov. 15th. Mock Shareholders' Meeting.
Dec. 6th. Income Tax Matters, including Back Duty Assessments.

COMMITTEE.

The following retire by rotation, viz, Mr. Albert Chadwick, Mr. Wm. Eaves, Mr. Fred Hargreaves, Mr. Robert Heatley, and Mr. F. W. Sowerbutts, but are eligible for re-election.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

Mr. Elfyn W. David, Solicitor, Cardiff, who was the lecturer at a meeting of the Students' Section held at Cardiff last month, took as his subject "Law and the Student." The chair was occupied by Mr. Ivor Davies, A.S.A.A., who was supported by Mr. J. Pearson Griffiths, F.S.A.A., Mr. J. Alun Evans (Hon. Secretary), and others.

Mr. David dealt with the various phases of statute law and "judge made" or case law. He explained in detail the manner in which the student should deal with case law, indicating that cases quoted in text-books were not all of the same value. He also pointed out the necessity for students exercising great care in the choice of text-books. A discussion took place at the close, during which Mr. David outlined what was meant by, and the necessity for, the taxing of costs. He was accorded a hearty vote of thanks for his services, which had been placed at the Society's disposal at very short notice.

WEST OF ENGLAND.

ANNUAL MEETING.

The annual meeting of the West of England District Society of Incorporated Accountants was held at Bristol on March 3rd. Mr. H. M. B. Ker (President) presided over a good attendance. In proposing the adoption of the annual report and financial statement, he referred to the increased membership under the re-organisation scheme and to the proposal for lectures to be given in various parts of the area during the next session.

The following Officers and Committee were elected for the ensuing year :—

President, Mr. H. M. B. Ker; Vice-President, Mr. S. Foster; Hon. Secretary, Mr. F. A. Webber; Hon. Librarian, Mr. E. S. Hare; Hon. Auditor, Mr. C. B. Steed; Committee: Mr. C. W. Clark, Mr. G. J. Barron-Curtis, Mr. S. Foster, Mr. E. S. Hare, Mr. H. O. Johnson, Mr. H. M. B. Ker, Mr. F. P. Leach, Mr. C. B. Steed, Mr. F. A. Webber.

A vote of thanks was accorded the Officers and Committee for their services during the year.

Report.

The following are extracts from the annual report :—

Your Committee have pleasure in presenting the report of the work of the Society together with the audited accounts for the year ended December 31st, 1929.

MEMBERSHIP.

The re-organisation scheme for District Societies came into force on January 1st, 1929, and all Fellows and Associates automatically became members of the Branch or District Society in the area in which they reside or practise, without further subscription. The total membership is now 199, represented by 58 Fellows, 99 Associates, 42 Students.

Your Committee wish to draw attention to the new bye-law which makes membership of a District Society compulsory for all Students who have passed the Society's Preliminary examination or have obtained exemption from such examination.

LECTURES.

The following lectures were given :—

1929.

- Jan. 7th. "Profit Sharing and Co-partnership," by Mr. A. Crawford, K.C.
Jan. 21st. "The Companies Act, 1928," by Mr. R. R. Coomber, B.Sc., A.S.A.A.
Feb. 4th. Discussion on Questions and Answers for examination purposes.
Nov. 11th. "The Principal Alterations in the new Companies Act affecting Auditors, Directors and Shareholders," by Mr. W. H. Grainger, F.S.A.A.
Nov. 25th. "Trusts and Trustees," by Mr. E. Westby-Nunn, B.A., LL.B.
Dec. 9th. "Bankruptcy," by Mr. O. Shepherd, M.A., LL.B.

These lectures were given at Bristol and were well attended. It is hoped to make arrangements for lectures in other towns during the next session in order to extend the benefit of membership with the District Society over as wide an area as possible.

The retiring members of the Committee are Mr. S. Foster, Mr. E. S. Hare and Mr. C. B. Steed. They are eligible and offer themselves for re-election.

INSTITUTE OF ARBITRATORS.

At the annual meeting of the Institute of Arbitrators on March 18th, Major W. E. Watson, Barrister-at-Law, was elected President, and Mr. J. R. Willis Alexander, M.A., LL.B., Barrister-at-Law, Parliamentary Secretary of the Society of Incorporated Accountants and Auditors, was elected a Member of Council.

Professional Appointment.

Mr. J. W. Tree, Incorporated Accountant, has been appointed County Treasurer of the East Riding of Yorkshire as from April 1st, 1930.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Annual Meeting of the Branch.

The annual meeting of the Scottish Branch of the Society was held in Glasgow on March 28th.

Dr. John Bell presided. There were also present: Mr. R. T. Dunlop, Mr. P. G. S. Ritchie and Mr. J. Cradock Walker (Glasgow), Mr. D. R. Matheson and Mr. J. Stewart Seggie (Edinburgh), Mr. W. L. Pattullo (Dundee), Mr. E. Mortimer Brodie (Port Glasgow), Mr. J. Hawthorne Paterson (Greenock), Mr. A. B. Marshall, Mr. A. M. Shaw, Mr. Robert Fraser, Mr. J. M. Roxburgh, Mr. Alex. Philip, Mr. James A. Scott, Mr. J. C. McMurray, Mr. J. S. Fraser, and Mr. James Paterson (Secretary of the Branch). Apologies for absence were intimated from Mr. W. Davidson Hall, Mr. D. M. Muir, Mr. Walter McGregor, Mr. J. Stirling Brown, Mr. William Houston, and others. Dr. John Bell moved the adoption of the report, which was unanimously agreed to. The report was as follows:—

The Council have pleasure in presenting the 50th Annual Report of the Scottish Institute of Accountants (the Scottish Branch of the Society).

The Council record with regret the deaths since the last annual meeting of the following members:—Mr. B. F. G. Meldrum and Mr. Hugh Wylie Auld (Glasgow). Both Mr. Meldrum and Mr. Auld were early members of the Scottish Institute, and members of the Society since 1899. Mr. Auld was for about twenty years a member of the Council of the Scottish Branch, and took a keen interest in the work of the Society. A valuable supporter of the Glasgow Students' Society, and a generous donor of books to the Library, his helpful personality will be much missed.

A gratifying feature of the year has been the increasing number of clerks articleed to members. The Council desire to thank those members of the Society who have arranged transfers of articles of clerks in provincial offices, in order to facilitate their studies in University centres.

The Examination Syllabus has been issued in a new and more detailed form and copies can be had on application to the Secretary of the Scottish Branch, who is at all times available to give information and advice with reference to the examinations.

The retiring members of Council and honorary auditors were re-elected.

Meeting of Scottish Council.

A meeting of the Council of the Scottish Branch was held on the 28th ult. Dr. John Bell presided. There were also present: Mr. R. T. Dunlop, Mr. P. G. S. Ritchie and Mr. J. Cradock Walker (Glasgow), Mr. D. R. Matheson and Mr. J. Stewart Seggie (Edinburgh), Mr. W. L. Pattullo (Dundee), Mr. E. Mortimer Brodie (Port Glasgow), and Mr. James Paterson (Secretary of the Branch). Apologies for absence were intimated from Mr. W. Davidson Hall, Mr. D. M. Muir, Mr. Walter McGregor, and Mr. William Houston. A report was given of the number of applications to sit at the ensuing examinations. Other business connected with the Branch, the local Student Societies, and matters relating to the profession in Scotland were under consideration and variously dealt with.

At a meeting of the Council held after the annual meeting, Mr. David Hill Jack, J.P., was re-elected President of the Branch; and Dr. John Bell, Mr. Robert T. Dunlop, and Mr. James Stewart Seggie were re-elected Vice-Presidents.

Notes on Legal Cases.

INSOLVENCY.

In Re Sims; ex parte Quaife.

Fraudulent Transfer to a Company.

Clauson, J., held that the substitution in place of a going business and substantial assets of (a) shares in a private company which had taken over the debtor's assets and liabilities, together with (b) a right of action by the debtor against that company on its covenant to discharge his liabilities must necessarily have the result of delaying his creditors, and the fact that it was in the contemplation of all parties that further finance should be secured by placing a prior charge on the transferred assets did not prevent the payment of creditors from being delayed, and therefore a transfer to such a company was a fraudulent transfer and an act of bankruptcy. It being necessary for sect. 45 of the Bankruptcy Act, 1914, to operate, that the transaction should be *bona fide*, the company having all the notice and knowledge of the debtor at the time of the transfer, the transaction was not *bona fide* and was not within sect. 45.

(Ch.; (1930) 46 T.L.R., 258.)

RATING.

Consett Iron Company v. Durham County Assessment Committee.

Collieries Worked at a Loss.

The Court of Appeal held that in assessing property such as coal mines to rates, regard may be had to the possibility of improvement in trading conditions, and the fact that no profits are being made at the time of the assessment does not prevent an assessment being made on the footing that the property is of substantial value.

(C.A.; (1930) L.J.N., 157.)

REVENUE.

Hutchison v. Inland Revenue.

Deductions for Income Tax and Super Tax.

A marriage contract provided that the husband should contribute the whole of the trust fund and the trustees were directed to pay an annuity to the wife free of income tax. Subsequently the wife divorced the husband and in a later agreement between them the marriage contract *quoad* the annuity was adopted.

The Court of Session held (1) that the obligation to pay the annuity free of income tax was not void under Rule 23, Income Tax Act, 1918, General Rules applicable to Schedules A and E; and (2) that accordingly the husband was entitled to deduct both the annuity and the amount of the tax thereon from the total of his income in respect of his assessment to super tax.

(C.S.; (1930) S.L.T., 184.)

Inland Revenue v. Scottish Central Electric Power Station.

Deduction of Rates from Taxable Profits.

The Court of Session held that the company was entitled to deduct landlord's rates from taxable profits in reference to its business premises, which it owned.

(C.S.; (1930) S.L.T., 169.)

Inland Revenue Commissioners v. Miller.

Free Occupation of Mansion House.

The respondent's late husband had by a settlement directed his trustees to allow the respondent during her life to occupy the mansion house and the lands pertaining thereto free of rent and taxes.

It was held by the House of Lords that the respondent was assessable to super tax in respect of the annual value of the mansion house and lands and in respect of the sums expended by the trustees in payment of local rates.

(H.L.; (1930) 46 T.L.R., 207.)